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# ***JPRS Report***

## **East Europe**

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**Teta Interviewed by Democratic Party Paper**

9/P20488A Tirana RILINDJA DEMOKRATIKE  
in Albanian 27 Jul 91 pp 1, 5

[Interview with Minister of Defense Perikli Teta by Mehili Tanushi; place and date not given: "Reform of the Army Without Nostalgia for the Past"]

[Excerpts] [Tanushi] Mr. Minister! First, let me thank you for giving an interview to our newspaper. It would be interesting to begin the interview with the depoliticization of the armed forces, which is a very important action in the framework of the democratic changes in our country.

[Teta] Thank you. It is a special pleasure for me to address public opinion through the intermediary of RILINDJA DEMOKRATIKE. The newspaper's role in conveying the democratic aspirations of the Albanian people and their acceptance of inviolable democratic processes has been of special importance for me. [passage omitted] I would like to say, at the very beginning, that the depoliticization of the armed forces has been received very well by the troops and has been carried out without any great effort. Everyone understands that this was necessary for the expansion of the democratization process in the army and for the entire life of the country. Naturally, we must not think that "de facto" depoliticization can be achieved overnight. This is just the beginning and, naturally, it is difficult to suppress personal feelings and convictions but the important thing is that the comrades understand that this is being done for a sacred cause, to guarantee the social peace and the defense of the country. The fact that our country embraced, from the very beginning, the more radical alternative, which some eastern European countries have not yet achieved, is evidence of the democratic aspirations of the cadres, soldiers, and workers of the armed forces.

[Tanushi] However, slogans, symbols, and means of political agitation are still noted in military milieus. What can you tell us about this?

[Teta] The ministry and the commands have had a real campaign in regard to this. Perhaps it was easier because of this. Within a very short time, everything connected with party propaganda was removed in military milieus. Anything which has remained is like autumn leaves which cannot escape from the light winds. It is important that the work should continue to the very end.

[Tanushi] Until now, the main cadres in the armed forces have been the commissars. What will happen to them under depoliticization?

[Teta] The commissars have been equal members of the command structure along with the commanders and they have worked to reinforce activity in the units. Naturally, there have been cases of those who have exploited their

positions and have given orders in the commands, thus creating disturbing problems in the staffs and among the troops.

Now, their position has been abolished. Many comrades have been given military assignments, in accordance with their professions. Some have been placed in the education sector. We have been concerned lest this important sector become a place for the mechanical assignment of former commissars so we have been selecting the best specialists who have mastered the democratization process and who have the necessary skills to do the job.

[Tanushi] Letters which we have received and discussions with officers indicate the following concern: The circulation of cadres is currently being carried out within the ministry, staffs, or units, involving the same people all the time, and very few trained officers are brought up from the grassroots.

[Teta] In my opinion, this is a correct observation. This is one of the reasons why the ministry has lost its standing in the eyes of the grassroots. The confidence of many people in the ministry has been shaken. And I think they are right in regard to many things.

From what I have seen in the short time that I have been minister, the command and control mechanism is limping, not to mention the fact that it is obsolete and is not operating in some areas. Therefore, atrophy has occurred. I am not talking only about the apparatus of the ministry but, and especially, about the divisions, brigades, plants, and institutions of the armed forces. Some comrades in charge of these links have exhausted the power and authority of the positions they hold. We have worked against them and we will work against them in the future without sentimentality and nostalgia.

We will do this immediately while increasing physical contacts with the grassroots, enlightening them and making them aware of the difficulties. We will place in responsible positions in the ministry, in the commands and staffs of all links, young cadres from the grassroots who have military, organizational, and professional skills and also drive and enthusiasm, as well as a social psychology and mindset in tune with the times. This is both an organizational and a military problem which is directly connected with the good progress of the work and the strengthening of the moral situation of the units and of the entire army as well as the fulfillment of all the indicators for training and preparedness.

[Tanushi] Mr. Minister, you have been in your job for a short time. Have you begun to have contacts with your counterparts in other countries?

[Teta] We are taking our first steps and we have just overcome a taboo from the past by setting fire to our fears. We are in the exploratory phase, but we have not received anything yet (with the exception of an exchange of greetings with the minister of defense of Vietnam).

A few days ago, I had some important and very impressive meetings with the special envoy of the United States Government, John Maresca, and deputy assistant secretary of defense, Robert Wolthius. Through these meetings, we learned about a number of bilateral issues and about the situation in the region and we left the door open for further talks. We will have similar talks with military bodies in the CSCE, the United Nations, and in other European countries in the West and the East. This contributes to the strengthening of our national positions and the ensuring of the defense of the country.

[Tanushi] Much has been said about the danger of military aggression against our country. Has this danger actually existed in recent years?

[Teta] It is true that much was said, in the past, about imaginary dangers. This has had harmful consequences for us which persist even now because quite a few people are fatigued psychologically, morally, and materially. They have been asked to make sacrifices at a high level, for no basic purpose or reason. In my opinion, since the political and economic situations in the region and beyond the region have been and continue to be in flux—as the people say: The rock has not found its place yet—dangers cannot be ruled out. But there is no reason for us to embrace a pointless pacificism. When it is a matter of something of such great interest as the defense of the country, our people have had the tradition of preserving a security coefficient at the maximum level.

[Tanushi] As we know, our country is sown with bunkers, at a considerable cost to our economy. They have occupied land needed for bread, city and village roads, etc. What will become of them?

[Teta] I think that the bunkers are the most indisputable Albanian evidence, not only of the Cold War between the blocs (many other European states have such evidence), but also of the megalomania of the bureaucracy. The bunkers occupied not only our bread land, our city roads, and our ports of entry, but also our minds. Just as we are gradually becoming liberated from the mindsets of the past, we will free our fields and lands from the bunkers.

[Tanushi] What do you think of the idea of arming the entire soldier people?

[Teta] Your question should be viewed in a very broad framework. The ministry, the General Staff, and the specialised institutions of the army are working to achieve a profound military reform. This is stipulated in the program of the Stability Government. The main thing which has been achieved so far is the preparation of public opinion on all levels to overturn everything which time has escaped from, to distance itself clearly and definitively from the adventurist solutions of the past, to put in order and improve everything which has real possibilities for improvement.

The life of the army shows this best of all. In these months since the democratization process has begun in

the army, powerful steps forward have been taken. The main thing which characterizes this process is the moral-psychological preparation of the entire public opinion of the cadres and troops of the army for the profound changes in concepts, organisms, and structures, in methods of training cadres, in commands and staffs, in providing refresher courses for cadres in control and command, in elevating the legal, social, and economic position of the soldier.

In the past, in the concepts and practices of organization, as everywhere else, there were activities which were outside every law of military science. We are still suffering from the results of these activities (such as defects in the distribution of units, defects in the organization of structures, the concentration of a relatively large number of active cadres in staffs and apart from the active troops, unreasonable expenditures for fortifications, etc.).

In such cases, the best compensation is education. This paves the way for improvements and more effective solutions in the future. Therefore, far removed from any nostalgia, we will separate the wheat from the chaff. We will do what must be done without hesitation and apprehension, but not with confusion. As has been said, we will move gradually, but courageously and resolutely. The main thing is to understand the real strength of the country and of the army, to make objective judgments in regard to human, material, and financial resources and, on this basis, to establish the most effective ways to ensure the defense of the country. The aim is to ensure that concepts and activity are made subject to the requirements of the general laws of military science, which are accepted on our specific bases (rich military traditions, broken and mountainous land, the size of the territory and of the population, etc.).

In regard to reform, at the present time, we are working out the basic guidelines. It is the duty of the directorates of the ministries, the scientific institutions of the army, and the General Staff, itself, to ensure that these ideas are worked out, supplemented, and put into concrete form.

Within a short time, we aim to return the army to the barracks, because, at present, it is out in the open as if it were ready for war. Right now, all the public opinion, the commands, and the staffs are prepared. They know what they must do and, when the opportunity is provided, they will take action immediately. Only the economic factor holds them back because new investments are needed and the current economic situation in the country is not promising.

[Tanushi] In the serious economic conditions which our country is experiencing, obtaining food products is not a minor problem for the army. Do you have anything to say about this?

[Teta] Although it must be said that the government has done all it can to satisfy the needs of the army on a priority basis, we still have many anxieties. Through the



organs of the government and the economy, we will intensify our efforts to do whatever is possible.

[Tanushi] It is said that the process of providing for the army will be organized on a centralized basis. How will this take place?

[Teta] I believe that the process will not stop until every sector of life is subjected to reform. And the supplying of the army will not be an exception. For this, we have studied the experience of soldiers in other countries and soon we will operate on the basis of our conditions. The main thing is that the supplying of the army should be made subject to the specific duties which the army has for the protection of the important interests of the defense of the country. Its workers, in contrast to the past, will be organically involved in the work of the staffs and of the army as a whole.

[Tanushi] We know that the army had people who were unjustly sentenced. They have serious problems in regard to housing, jobs, etc. What will be done with them?

[Teta] The army feels this pain more than anyone. The number of people sentenced by the army is considerable. The government has charged the executive committees with the resolution of their many problems. As a member of the government, I will insist that the committees carry out their obligations. And we, in the army, will study our possibilities. We will return to their duties in the military some people who are young and who have had and still

have a good moral character and professional military qualifications. [passage omitted]

[Tanushi] Do you think that a civilian can head the Ministry of Defense?

[Teta] We have just begun and it seems to me that this is not only necessary but fully possible. Other countries have had them for years and the results have all been good. The main thing is to establish proper relations with the General Staff. We are reforming the apparatus of the ministry and the General Staff in order to respond better to the tasks.

[Tanushi] And finally, what would you like to say to the readers?

[Teta] This reminds me of the inscription on the Copernicus monument in Warsaw: "The man who stopped the sun and put the earth in motion." Now that the people have taken charge of their fate, I have full confidence in the democratic future of our country.

I would say to all comrades that this is a decisive moment for the Albanian nation and people, and, therefore, we must protect ourselves from anarchy and dissension, we must protect ourselves from the provocation of those forces which are envious of the democratization in Albania.

[Tanushi] Thanks again.

**SNR's Deputy Chairman on Slovakia's Future***91CH0828A Bratislava KULTURNY ZIVOT in Slovak  
30 Jul 91 p 3*

[Interview with Milan Zemek, deputy chairman of the Slovak National Council, SNR, by Jozef Buchel; place and date not given: "We Are Here and Now; Where Will We Go?"—first paragraph is KULTURNY ZIVOT introduction]

[Excerpts] An accompanying phenomenon of developments in formerly socialist countries at almost every step, in every conversation, is the ever-present sense of the loss of the initial great illusions, a gradual and ever faster sobering up. Of trying to get the sense of the real shift in people's thinking. At all levels. All the time more people are coming down from the clouds to hard reality. It is a positive sign that although they are shaken, they are trying to determine their own coordinates. [passage omitted]

[Buchel] Progressive-minded people, "reactionary" people. Rich and poor. They all live and shall live in this space, in this country. Where are they coming from, and, above all, where are they going, where is Slovakia going?

[Zemek] I believe that we can see Slovakia moving on three levels. One is political. That is: from a dictatorship that was sometimes harsh, sometimes more moderate, but was always a dictatorship, to a more democratic and more tolerant society, or to put it simply—to a parliamentary democracy. The next level is socio-economic. We are changing from a central, command economy to a system of market economy. Under our conditions it will probably be a socialist market economy, even though some object to that attribute. I believe that in our part of the world it probably cannot be otherwise. At the same time, the movement on the national and state level is very important.

[Buchel] That is the one that is the object of our interest, as well as that of people around us, both near and more distant....

[Zemek] We should at long last shed the image of a provincial nation that always makes its contacts with the outside world through someone else, be it Budapest, Vienna, or, during the past 70 years, mainly Prague. Our aim should be to consummate our statehood. I have in mind a modern, democratic statehood, which would make it possible for Slovaks and members of nationalities living in Slovakia to communicate with Europe by and large directly and in all spheres of their lives. Slovaks must say to what extent and by what means they want to overcome their age-old provincialism. This primarily political state provincialism predetermined our provincialism also in other spheres, while exceptions, as usual, proved the rule. I therefore see Slovakia moving on these three levels. It is difficult to say which one comes first. They are all important and very closely connected.

[Buchel] I am interested in the idea that we should no longer be a province, and enter into relations with the world without an intermediary. But how?

[Zemek] Developments probably cannot go any other way than toward increased rights and responsibilities of our nation at the level of any sovereign European nation. Because Slovaks lived for centuries in states with other nationalities, and were not the dominant group in those states, they were always in a situation where they always had to share their rights, and at the same time they also shared their responsibilities. And herein lies the problem. A human being and a nation grows, to my mind, with the increasing amount of rights and responsibilities. Because only meeting responsibilities while applying rights is a way to measure his total capacity. If certain responsibilities are always taken care of for you by someone else and you get used to it, then you will never fully mobilize your capacity, never fully test yourself. And that applies to individuals, collectives, and probably entire nations as well. The problem, I think, does not lie in the fact that Slovaks should cease to be "oppressed" at last, that they should no longer be "suffering." After all, we have not suffered that much in the past, or did not suffer as much as other nations, for example, the Irish. The problem, however, was that at certain decisive historical moments someone else made the decision for us and we just went along, or were kindly permitted or ordered to agree and pander, usually to our detriment. Sometimes with our own assistance, sometimes with passivity, we let ourselves be carried along by events, by historical currents. But if at last we feel ourselves to be a real nation, we should get rid precisely of the provincial smallness and limitations.

[Buchel] If the question is posed that way, there is really nothing to think about. Without regard to the economic, social, and political aspects, Slovakia is emancipating itself at a minimum in the Central European context, the Czecho-Slovak context....

[Zemek] Those who want a full independence for Slovakia have the most unrelenting stance on the emancipation problem. But they must realize, and I presume that they do realize it (because otherwise they would be infantile), that a sovereign Slovakia would have not only the full rights but also all the responsibilities, worries, and risks of a modern nation. It would be no longer possible to rely on a stronger and wealthier brother. To fall into the self-delusion that it is possible to appropriate as many rights as possible and take on the fewest possible responsibilities, to possibly "delegate" duties to someone else—that is another extreme, and I am not altogether sure that this is not the source of the fervent federalism on the other side. I do not think that there is much future even for the solution that would ensure the maximum of republican powers and at the same time a social net and other "nets" woven out of the common treasury. That is another illusion, and the potential constant source of tensions, disputes, and misunderstandings. If someone thinks along these lines, then he only proves the continued relevance of the "hostile" talk

about Slovak provincial cunning that counts on easy and cheap solutions to complicated problems. Some may even think that it will succeed, but it will become clear very quickly that the opposite is true and, moreover, that the price of "cheap solutions" is very high.

[Buchel] Slovakia stands at a crossroads, or rather, is approaching it. It knows that it is getting closer, but for the moment it does not know which way and where it will go from there. Where?

[Zemek] It is likely that the hypothetical crossroads is just in front of us. But before we get there, we should answer some serious questions. For example, acting as something of a brake on the Slovak striving for emancipation is the assertion that Slovak economy cannot function without the Czech economy. I think that it is necessary to unravel the still tangled economic web as quickly as possible. The question who lives at who's expense should be answered very quickly in an altogether practical way by the new tax system and the entire system of market economy. Even Minister Klaus admits that under the current tax and budget system it is not clear how and where resources originate in the Czech lands, in Slovakia, or at the federal level. There is clear evidence, for example, that part of the money made in Slovakia flowed and still flows into the general directorates in Prague. This way Slovak money is first turned into "Czech money," and only then, by way of state budgets, is returned (or not returned?) already as "Czech money" back to the Slovak Republic.

[Buchel] There is a real prospect that this particular problem will be resolved. At what stage of the "problems of growth" or the "growth of problems?" In your view, what prospects, and under what conditions, does a unitary state have?

[Zemek] A unitary state is unacceptable for the great majority of Slovaks. I am afraid that a state somewhere between unitarianism and full independence is neither fish nor fowl. In such state form, new flash points of disputes over powers and other matters constantly appear. When we hear statements from the Czech, but also from the Slovak, side that we should at long last solve these constitutional questions, and deal with other, more "important" matters, I think that these demands are unrealistic. Because even if we pay attention to whatever other matters, in one way or another the question of power sharing will always emerge, the problem of the standing of Czech, Slovak, or federal agencies. There will always be the tendency to solve the problem unitarily, or there will be counter-pressures demanding more powers for the republics, or possibly even a total sovereignty of the republics. Every zealous federalist should expect that. The constitutional problem in a multi-national state can never be definitively resolved either by a constitution or by a state treaty. In real life these questions will keep becoming the subject of conflicts again and again, they will influence all political events. For example, in everyday life, the object of

contention will not be the concept of "authentic federation," at issue will be the more or less specific content of that term. The very specific rights and very specific responsibilities that will ensue for all involved.

[Buchel] In the effort to find a solution, we sometimes go back to the very beginning. T.G. Masaryk formulated the thought that states live according to the ideas from which they were born. What part of this thought, of the ideas from which the Czecho-Slovak Republic was born, still applies today? The fact is, that the idea of a Czecho-slovak nation has been obsolete for a terribly long time....

[Zemek] But it was not only a single idea and principle on the basis of which this state came into being. There still lives, after all, the idea of a democratic state that is trying to emphasize understanding and tolerance on several social levels. It was an important, though not a sufficient, condition for the birth of Czecho-Slovakia.

[Buchel] On what principles is it possible to build a state today? A state that will not only come into existence, but whose existence will be truly meaningful?

[Zemek] Naturally, on the principles of freedom, democracy, and civic accord. In today's Europe states are still states of communities that are mostly formed by common ethnicity, culture, language, or history. These dimensions are still decisive. Citizenship is identified with the national principle. States are de facto national. For example, Germany; it recognizes Danes as a minority in the north, Lusatian Serbs in the east, but their affairs are administered by the appropriate federal lands Schleswig-Holstein, and Saxony with Brandenburg. Several millions of foreigners living in Germany are not considered national minorities. Otherwise, Germany is a national state which less than a year ago united as the state of the Germans. In the same way, Norway is the state of the Norwegians, Sweden the state of the Swedes, Denmark of the Danes, and so on. The fact that they are national states does not preclude respect for all kinds of minorities. It is sometimes said: Well, the Slovaks want to have their independent state, but then what about all the minorities that live here? Will they not be endangered? Let's turn that problem around: Do not Slovaks harbor certain animosities, a certain sense of being endangered, because as a nation they are not sovereign? Is it almost unthinkable that the Slovak nation as a fully sovereign nation would prove to be more magnanimous and more tolerant toward minorities that live here? That it would accede to solutions about which the majority of Slovaks does not even want to hear about at this time? I can envisage such solutions.

[Buchel] It would not be inappropriate to concretize this very interesting thought. In spite of pronouncements and resolutions, our legendary magnanimity is more of a myth and pious wish than reality....

[Zemek] Until now, we never had the opportunity to test these qualities and abilities under conditions of full national sovereignty. National emancipation here often has had and still has a much more dramatic character

that in other countries. But I think that the coexistence of Slovaks and Hungarians, for example, is taking place in a substantially calmer atmosphere than is portrayed especially in the foreign press. In spite of all the tough speeches and gestures of some of our political leaders and circles, the Slovak community is behaving much more reasonably and calmly than someone, going mainly by information in certain publications, would think. To my mind, there are realistic possibilities in Slovakia for achieving real tolerance and accord with nationalities and all national minorities.

[Buchel] However, if that is true, why is it that attracting so much attention to themselves, and gaining such considerable support among the public are precisely those forces, who...

[Zemek] ...have really so many sympathizers? First, various surveys show that there are not that many sympathizers. Second, don't newspapers and mass media, not too well versed in the Slovak situation, dramatize some events? Or, on the other hand, only too well versed?



### MDF 'Liberals' on Antall's Political Strategy

91CH0879A Budapest MAGYAR HIRLAP  
in Hungarian 8 Aug 91 p 7

[Article by Endre Kiss and Zoltan Krasznai, members of the Hungarian Democratic Forum's liberal wing: "Dr. Antall's Struggle on Two Fronts"]

[Text] In recent weeks the prime minister has been very active: He appeared among technical intellectuals; inspected the environmental catastrophe the Soviet Army had left behind in Tokol; made important policy statements in the provinces at a meeting organized by the populist national circle within the MDF [Hungarian Democratic Forum]; shook hands with Chancellor Kohl; attended the Hexagonale conference in Dubrovnik; answered phoned-in questions live on TV; evaluated the first year of Hungarian foreign policy; received the Schuman Prize; and visited Biharkeresztes. We regard Jozsef Antall's feverish activity as the overture to a new, as yet publicly unannounced and therefore latent, election campaign. But this activity (the prime minister's "feet" we might say, considering the events) is at odds with his words when he talks of his unshakable and monolithic satisfaction with Hungary's democratic transformation.

It is one of the unique characteristics of a peaceful change of regimes that, in principle, any strategy introduced in the course of the democracies' universal history must be regarded as legitimate if it is employed by a legitimately elected political force. On this occasion, therefore, it will not be from a point of principle that we approach Jozsef Antall's strategy, which instead of seeking a consensus relies on dividing [and conquering] under a policy of strength. That strategy, so familiar from Hungarian traditions, has very aptly been named the "salami" tactic. "The young Marx, too, liked to use Biblical mottoes, and ours is: "By their fruits ye shall know them." These are fruits that, after 18 months, have perhaps become truly ripe just this summer.

Toward the "Left," Dr. Antall's vigorous strategy of division was aimed not so much against political parties as against trade unions. This may seem surprising at first glance, but it was entirely understandable in the given circumstances. The Leftist parties bore the stigma of the party-state, and for that reason they momentarily were not "opponents" of Dr. Antall's, who thinks in terms of comprehensive historical epochs. (Dr. Antall believed so firmly in the magic power of the party-state's stigma that, in developing his own establishment, he preferred to make use of the upper-middle echelon within the former party-state's establishment. But after their purgatory of cooperation, of course, the former party-state's experts were denied the liturgy of purification that would have installed them in the new democracy's heaven.)

The prime minister's strategy called for different behavior against each of the three largest trade union groups. First, as in the case of the Leftist political parties, he devoted the least amount of perceptible attention to

the party-state's trade unions. His complete failure to include in his agenda the solution, by consensus, of basic trade union questions doomed the trade unions to a sham existence also under the new democracy. At the same time, unlike in the case of the former MSZMP [Hungarian Socialist Workers Party], he was in no hurry to require that the trade unions file returns of their assets. Second, with his "Herend model" in the summer of 1990, he attempted to bring the workers-council movement closer to the MDF. From Dr. Antall's point of view, this attempt can be termed only partially successful: Although the MDF failed to acquire through this move a network of independent trade unions, it nevertheless was able to prevent the launching of a workers-council movement that would have been independent of the coalition's political influence and could have claimed to be continuing the traditions of 1956. Third, all along he treated the Democratic League of Independent Trade Unions with open skepticism. His primary reason for doing so was not what public opinion believed it to be, namely that he suspected the League of sympathizing with the SZDSZ [Alliance of Free Democrats]. A far more likely primary reason was that his decisive aversion to consensus politics led him to reject from the very outset the movement that (actually or seemingly) came the closest to consistent democracy.

The trench warfare that developed with the trade unions in this manner seemed to confirm the success of Dr. Antall's strategy of "dividing Hungary." Perhaps the most cunning element in this strategy of division was that, as a result of the delays in requiring trade unions to file returns of their assets, the richest trade union was the one without any chance of mobilizing its assets for political purposes in the short term.

Due to the delays in having to file returns of their assets and also to the frequent changes in the political sphere, the trade unions of the former party-state were able to gain a new, "wild" legitimacy in the context of Antall's strategy of division. Today the sharing of [trade union] assets remains a central issue, but not in the same form it was a year ago. The dubious legitimacy of some of the trade unions has now been joined by the likewise dubious democratic legitimacy of the government's trade union policy.

The prime minister's strategy of division has borne fruit on the Right as well. Here, too, Dr. Antall chose his opponents just as deliberately as he had done on the Left. He did not deign to take any notice of the Right outside parliament (he simply refused to recognize its existence). Similarly, he did not see any problem with the possible right-wing consequences of the three kinds of populism that exist within the MDF. He concentrated his strategy of dividing the Right primarily on the Smallholders Party, striving with all his might to prevent Dr. Torgyan from gaining hegemony. Thereby the prime minister—contrary to his intended purpose—has contributed considerably toward Dr. Torgyan's political rise. Probably Dr. Antall is not familiar with Nietzsche's (note well: not Marx's) idea that our choice of enemies attests to our own human greatness.

Dr. Antall was so reluctant to place his struggle against Dr. Torgyan on a consistently democratic footing that, in some instance, he attacked Dr. Torgyan from the "Right" (an extreme example was the orchestration of his alleged involvement with State Security); and, in another instance, from the "Left," accusing him of wanting to reprivatize too much. Through its series of transmissions, the lack of principle behind the attacks against Dr. Torgyan set a precedent. At the end of a process that took place before our very eyes, the principle applied that "in the case of a good Hungarian it does not matter whether he had or had not been involved with State Security."

The MDF's response to dissent is forceful and often downright hysterical; and when dissent occurs within the MDF itself, it is linked to outside influence. Dr. Antall treated the Smallholders Party the way the United States treated Panama or the way Gorbachev treated his Erich Honecker. Of course, the situation would not be as complicated as it is, if the original chaos rampant within the Smallholders Party were unable to explain such steps. But the divisive interventions aimed consistently at Dr. Torgyan cannot be reconciled with the requirements of new democracy. Incidentally, it is an irony of reality that it would have been easy to pursue a consistently democratic, consensus-seeking policy against Dr. Torgyan's extremism. But that would have been an entirely different story, although one that an overwhelming majority of the Hungarian people would have regarded as natural. Once again the end has been carried away by the means. The shaky democratic legitimacy of this policy has lent Dr. Torgyan sham legitimacy; in possession of which, he is arming himself for a new historical period, and now he has at least as much ability as Sandor Nagy has to take the initiative against Dr. Antall.

Should the prime minister's strategy respond to this with an anti-Communist campaign, not only would it be wrong in its principles (in so far as the strategy itself, through its own political steps, would be contributing "democratically" toward the evolution of this "wild" legitimacy), but there could also be a repetition of the Torgyan precedent: The undisguised political intentions behind the attack could create sympathy, or at least sympathetic indifference, for these trade unions (if such sympathy or indifference does not yet exist). Such a campaign would also make a few people wonder how the academicians, university professors, historians, writers, poets, scientists, editors, or even museum directors within the MDF elite were at all able to survive the decades of Communist dictatorship, when every former Communist adds to the ranks of the MDF's current opponent.

In conclusion we wish to note that both authors of this writing have teaching experience. Therefore their tone is necessarily didactic.

### SZDSZ Head: State Interference Still Rampant

91CH0841A Veszprem NAPLO in Hungarian  
22, 23 Jul 91

[Interview in two installments by Beno Jozsa with Alliance of Free Democrats' President Janos Kis; place and date not given: "Coerced" Legislation—Reprehensible Decisions?]

[22 Jul p 4]

[Text]

### Janos Kis on Parliament, Government, Crisis, and Uncertainty

As we wrote on page one of our paper, Janos Kis, president of the largest opposition party, the SZDSZ [Alliance of Free Democrats], attended a day-long party meeting in Devecser. In his speech, he gave a detailed account of our social, economic and political life; a factor that in itself justifies our interview. In view of the importance of the issues, we asked him for a longer interview, which we will publish in today's and tomorrow's issues.

In today's passages we will focus primarily on the government's and parliament's activities, and economic issues; while tomorrow, if I may put it this way, we will talk about "less formal" topics: He will discuss the partnership of the MSZOSZ [National Organization of Hungarian Trade Unions] and the MSZP [Hungarian Socialist Party], the situation in Yugoslavia (and the Antall statement), Torgyan and Pozsgay, people's bad mood and "Communists who have become quite impertinent," the drop in SZDSZ membership, some of his party's faulty conclusions, and even himself....

[Jozsa] "The Antall administration does not manage its legacy well. We cannot accept the proposition that the economy it inherited was altogether ruined. On the contrary, it inherited certain advantages that could assist in rehabilitating the Hungarian economy!"—this is what we can read among the theses of the SZDSZ' crisis-management program. Quite honestly, the remarks about the legacy of the party-state are interesting: What are the advantages mentioned above?

[Kis] During the last 20 years of the Kadar system, a slow and accumulative transformation took place: from the official economy to the "black" economy! Several varieties of enterprise came into being, capital was accumulated, and even a certain kind of management expertise surfaced, all of which makes up a solid foundation that should be put to use. To do this, however, the state should remove itself from direct economic control, instead of introducing centralizing tendencies!

[Jozsa] At the moment, however, the enterprises lack perspective, wage-earners experience an existential uncertainty, the managers are hesitant, local governments have numerous worries (and no money), and there is even a dilemma when it comes to the practice of

ownership or dilemma: Who, after all, will be the new legal proprietors? The state, the churches, local governments, or private individuals...? Your party refers to these among its theses: In other words, we are talking about a society-wide loss of confidence. How could we handle this?

[Kis] This loss of confidence is the heaviest burden of the present crisis. Everything is unpredictable. This hurts the consumer: One has no way of knowing what to do with one's money, or even whether or not one would still have a job tomorrow? The primary task should be to create stable circumstances and a legal situation that would dispel the confusion concerning ownership, selling or inheritance. From this point of view, the law on compensation and church properties only contributed to the problem, and the one "settling" the property and ownership relations of local government bodies has not created a tranquil situation.

[Jozsa] "Ramming through" the above two laws in the legislature, and forcing the issue of the World Fair; in your speech you called these reprehensible decisions made by the present government. This is pretty harsh....

[Kis] I expressed myself in such harsh terms, because we already know that next year the country will face an even greater budgetary deficit, which will force us to introduce unbelievable budgetary austerity. Of course, the governing coalition does not mention this; on the contrary, they say that we will have one more difficult autumn, after which everything will change for the better.... What is even more worrisome is that they actually believe this. Well, under these circumstances, it is indeed a crime to push through certain legislative measures that involve huge expenditures! This seriously threatens economic equilibrium, could bring about a collapse, and on top of everything else the money is taken from the most needy spheres, that of social welfare and (as it is becoming visible) from local government bodies, even though these are among the most important organizations caring for the well-being of the population! Seeing such deficit-ridden budgetary spending, the confidence of the West may easily be shaken, as was demonstrated at the negotiations with the IMF. One after another we were asked the critical question: Is the government capable of bringing budgetary expenditure within acceptable limits? This year we have already reached the upper, barely acceptable, limits (80 billion forints), and, in view of the above mentioned legislation, next year we can count on an additional deficit of some 50-60 billion forints.

[Jozsa] The legislature (which sets the budget and tries to fix its shortcomings) is also scolded by the SZDSZ: It wastes time on the wrong proposals, and parliamentary activities are fundamentally inappropriate.... The expected social-economic order did not come into existence, an illusion collapsed.... Strong criticism: What is it based on?

[Kis] We presupposed that the government would have a legislative program and it will grant natural priority to those laws that had to be (and still have to be) enacted. Among these are the laws of state budget and banking, along with other legal material required for privatization, such as the laws on cooperatives and land property. We presupposed that these bills will be placed before the House as soon as possible. Instead we see that the administration's legislative activities are quite chaotic: There are a great many problems with preparation, and the only "priority schedule" is what individual ministries, or parties belonging to the coalition, are able to arrange for themselves by quarrelling with the others. This is the reason why the law on compensations took months away from the other activities of the National Assembly.

[Jozsa] The opposition is never satisfied with the government in power; however, it seems that the individual ministers are receiving fewer criticism nowadays....

[Kis] Of course, there are ministers in this administration who do not belong there (we have said this numerous times, and named names), but our goal is not to point fingers at each of them. Rather, I would like to call attention to something that is much more serious; namely that, even though the administration has an economic cabinet, two diametrically opposed economic concepts seem to be facing off within this government.

[Jozsa] Are you referring to the concepts of Mihaly Kupa and Bela Kadar?

[Kis] Yes. And as for the prime minister, he does not act like he was convinced that the decisive voice should belong to the person who heads the economics post in the cabinet. It is an impossible situation for one responsible cabinet member in charge of economic affairs to say that we do not have to devalue the forint (just mentioning this is madness), while a colleague of his promotes such devaluation. If the economic cabinet of a government behaves in this manner, then it will not be credible either to domestic entrepreneurs or foreign investors. And this gravely interferes with the operation of economic life.

[Jozsa] This could raise the issue of responsibility on the part of the government's head, but at the least it indicates uncertainty....

[Kis] A prime minister does not have to be an economic expert, but he must be able to decide which economic program he will authorize! And this decision must be unequivocal, precluding the possibility for ministers with varying concepts to debate in the press.

[Jozsa] By contrast, the SZDSZ (as your statement expressed) opposes the government's two conflicting concepts with a single economic program; a unified program of managing economic crises. Could you tell us some of the salient points of that program?

[Kis] A shared weakness of the two government concepts is that they both consider the expanding state apparatus



as their primary basis, with the enterprises and households being the subjects, rather than competing participants, of their programs' implementation. Our concept is entirely different: The executor of our activity- package is not the all-powerful machinery of "Great State," embodying the organizational principles of the past system and today's governing coalition, but a much smaller, much cheaper, and still effective state apparatus. In other words, the basis of our program is the citizenry whose free will is implemented by a reduced and less powerful state whose function is transformed. The state should not try to interfere in areas where it has no business; rather, it should do everything in its power to establish the frameworks of economic activities and do its best to remove the obstacles facing free endeavors initiated by the players of society and economic life. Our single and unified program for the management of crisis is focused on three primary goals:

- (1) Stopping inflation.
- (2) A related item: rapid privatization.
- (3) Export-driven economic growth.

On the other hand, rapid economic transformation demands a price: A growth in the number of unemployed and impoverished will be unavoidable for a while. Still, we consider it unacceptable to see a separation of Hungarian society into one of the rich and one of the destitute. This is why we concentrate on developing solutions that lessen, and justly distribute, the burdens of transformation, primarily in the spheres of unemployment, social security and social policies.

[Jozsa] I recall a witty phrase from your speech: "Ours is a party that is damned with a social conscience...." Are you telling us that this is a disadvantage? Although, come to think of it: Parties, politics, and—conscience?

[23 Jul p 4]

[Text]

#### 'A Party That Is Damned With a Social Conscience'

As we have already reported it, Janos Kis, president of the largest opposition party, the SZDSZ [Alliance of Free Democrats], participated in a day-long party function in Devcser this Saturday. For the first time he granted our newspaper a lengthier interview, the first part of which we published yesterday. Today we give you the concluding part of the interview with the party chief.

[Jozsa] I recall a witty phrase from your speech: "Ours is a party that is damned with a social conscience...." Are you telling us that this is a disadvantage? Although, come to think of it: Parties, politics, and—conscience?!

[Kis] The reason I phrased it this way is that the people whose social protection we are talking, the poorest and most unfortunate, are hardly in the mood to vote. Thus, what I said can hardly be considered an electioneering phrase; in fact, it is a matter of conscience. The material

vulnerability of certain social classes is increasing, and even if the funds serving social welfare cannot be increased in the near future, there is a minimum that must be provided and the distribution of which must be arranged in such a manner that even people struggling at the lowest levels sense the presence of a definite support. The SZDSZ is doing everything to ensure this; we recognize no excuses in this area, this is a matter of conscience.

[Jozsa] Even though you have already "dissected" the government and the economy, let us back up for one more question. You see, I have found a truly startling statement among your party's economic theses: "We consider it unthinkable to return to the economic policies of the Lazar, Grosz, or Nemeth administrations...." In other words, do you feel that, in a certain sense, the Antall government is reverting to those old policies?

[Kis] No. First of all, that remark was not aimed at the economic policies of the Antall government (although, in certain respects, they simply continue the traditions) but expressed the conviction that communist governments during the 1980's always tried to eliminate problems by restricting budgetary expenditures and the amounts pumped into economic life, and did nothing to transform economic life or change our foreign trade orientation. Well, we feel that even though strict budgetary policies are unavoidable, they are not sufficient. What we need are rapid privatization and aggressive export policies. The "serene power" [the Hungarian Democratic Forum's designation for itself during the elections] follows a different course of action; it is too serene, too slow....

[Jozsa] How do you feel about the MSZOSZ-MSZP [National Organization of Hungarian Trade Unions-Hungarian Socialist Party] alliance that came about in connection with the distribution of trade union properties and the urging of freedom for labor organization?

[Kis] During the past year the MSZP made serious efforts to convince everyone that it is no longer a successor party.... Their attitude surprised me, and I find it unfortunate. It surprised me less, but I still consider it unfortunate that Sandor Nagy and his associates were so vehement in opposing some democratic notions. What is really regrettable is that they are talking about something entirely different than what is under discussion. They assert that (due to the laws recently ratified) the National Assembly made a decision concerning the impounding and confiscation of trade union properties, even though they know very well that this is not the case at all. All we are talking about is a moratorium applicable to the alienation and burdening of real estate owned by trade union, which will remain in effect only until free, democratic union elections are held. Reflecting the results of those elections, the properties will be distributed in accordance with the workers' wish.

[Jozsa] One can find within the MSZP fraction several beneficiaries of the Kadar regime (you mentioned Csaba



Hamori in your account), as well as some "Gasparites," as you phrased it [reference to former trade union leader]. It is conceivable that this influenced their attitude....

[Kis] That is quite certain. After all, it is clear that, faced by a conflict, the MSZP leadership decided to either oppose those of their cadres or end the process in which they gradually made themselves acceptable as a political party able to fit into the democratic process and taking the transformation seriously. It is my opinion that in this particular dilemma the MSZP, regrettably, made the wrong choice.

[Jozsa] What is the SZDSZ's foreign policy position concerning the situation in Yugoslavia, and specifically the Antall statement which evoked such heated Yugoslav reaction?

[Kis] Our position is that Hungary's interests are served only by a peaceful, negotiated settlement in Yugoslavia. Consequently, we agree with that portion of the government's statement which supports a peaceful settlement of the matter, and support the prime minister's proposal according to which one of the possible solutions is for Yugoslavia to transform itself into a confederation of sovereign republics. However, anyone making such proposals should take care to avoid the suspicion that Hungary expects territorial advantages from such a transformation. From this point of view, [Antall's] statement was not entirely fortunate, that is, it could be misinterpreted. More worrisome, even dangerous for our country's international position, are the statements made by the head of the Smallholders' Party, which in fact demanded that the [1919] peace treaties be revised! In view of the fact that the Smallholders' Party is a serious political power in this country, the government should have condemned those statements, before they could cause undesirable international entanglements for Hungary.

[Jozsa] How did you react to Jozsef Torgyan being elected president of his party?

[Kis] In his person we have the first truly extremist politician among the leaders of parliamentary parties. Of course, there are such politicians in every democratic country, and their parties obtain a certain percentage of votes (in France for example, the National Front is quite strong, it has received 10 percent of the ballots); however, in those countries these parties are at the periphery of political life, and are not quite taken seriously. They are never considered in forming a cabinet; moreover, even campaigning on a coalition ticket with them is generally avoided. Well, what I regret is not that Torgyan is in the National Assembly, but the fact that he is not in his place. After all, he became president of a party that is part of a governing coalition....

[Jozsa] What is your opinion on Imre Pozsgay's movement?

[Kis] I do not see significant forces lining up behind him, and I do not believe that his will become an influential political movement.

[Jozsa] It appears that the somber disposition of people are primarily caused by the declining standard of living, and aggravated by the appearance that many former communist leaders are still in high positions, live the good life and, as stated in the SZDSZ brochure, "the cadres of the party-state who were left in their posts have become quite impertinent and pursue their goals in concert with each other."

[Kis] Unfortunately, communist mid-level leaders have, by and large, retained their positions. But for anyone who feels that these individuals take advantage of this development and obtain unwarranted material benefits (or, as some would say, they are impertinent and arrogant as they once used to be), my advice is to strive for the creation of an authority that counters these local influences. For example, strong and free trade unions at the work-places, able to stand up for the workers' interests and ready to check on managers of enterprise properties or communist-style local bosses. In other words, the solution is not exterminating opponents, but expanding democracy. This, too, is one of the major differences between Torgyan and our party.

[Jozsa] But there are no opportunities for regulating, or if need be removing, such leaders; at least the workers have no legal recourse in this matter.

[Kis] We need to modify the enterprise laws, ensuring the democratic manner in which enterprise councils are elected, and thus make it possible for the workers of a workplace to elect leaders who will appoint a suitable director, or if they are satisfied with the former director, then will strengthen him in his position. The fact, however, is that until now these things have been ignored, which is quite a problem....

[Jozsa] Did the SZDSZ make any mistakes or faulty judgements?

[Kis] Yes. There were some that we could have avoided, and there were those when we did not find the correct solution in difficult situations. For example: It was definitely a mistake for us not to recognize the main characteristic of this governing coalition. We thought that Antall and his associates would make the MDF [Hungarian Democratic Forum] into a West European style conservative party which respects the rule of legality. It did not turn out that way, and not realizing that was one of our major mistakes. We were also late realizing that the SZDSZ must come out with its own program for managing the crisis, instead of repeating that an opposition party should not come up with something like that. Furthermore, about half of our local SZDSZ organizations "joined" local governing organs, while the others were left on their own, with few members of leadership ability. This is a challenge we still have not been able to answer.

[Jozsa] And do you know the reasons for the decline in SZDSZ membership? If I have the correct information, in Debrecen, for example, the number of members fell from 600 to 180; but, as you mentioned in your speech, the decline is noticeable even in Veszprem.

[Kis] Throughout the country, people are generally turning away from politics and political parties. The decline in our membership is most noticeable in the largest cities; of course, those are where we have the largest organizations. We are researching the problem. We have drawn some conclusions, but the situation requires an in-depth analysis. Certainly we should take the issue quite seriously.

[Jozsa] Finally, a personal question: Of all the leaders of parties that are in the National Assembly, you alone are not a deputy. Why? On what bases did you decide not to become one?

[Kis] It was major and thoroughly considered personal decision on my part, back in January 1990, when our party compiled the list of candidates. I am a philosopher, and in the long run that is the only way I can visualize my life. This does not mean that I am not an active politician and do not make every effort on behalf of the SZDSZ; however, beyond a certain point I do not wish to become a professional politician and perform a role of public authority. The SZDSZ had a chance to win the election; that way, or as a coalition partner, it could have become a governing party, in which case I might have thought it desirable to accept a post in the government. That extraordinary eventuality has passed (of which I am quite glad), but I am quite confident that in the next elections the SZDSZ will run very well and end up in the governing coalition. If that will be the case, one thing is certain: I will not be the candidate for the post of prime minister. I have quite clearly decided that I would not accept any position of public authority....

#### **Torgyan: Smallholders 'Persecuted' in Ministry**

91CH0836B Budapest NEPSZABADSAG in Hungarian  
8 Aug 91 p 4

[Article by Katalin Kekesi: "Torgyan: Smallholders Are Persecuted at the Ministry of Agriculture"]

[Text] "There is a truce with Geza Zsiros, there are four 'black sheep' left," we heard at the press conference following the meeting of the Independent Smallholders' Party's National Presidium.

At the beginning of the conference, Jozsef Torgyan used superlatives to describe the new members of his advisory council and the presidium's two new officers. The party president emphasized that in the party and in the parliament alike they will forego any personal infighting. It was probably in this spirit that the presidium made peace with Geza Zsiros, after they listened to his speech.

The cases of Miklos Omolnar, Sandor Olah, Antal Kocsenda, and Gyula Pasztor, who opposed the new leadership and remained absent from the meeting, were referred to a disciplinary committee.

In reference to the planned reorganization at the Ministry of Agriculture and the appointment of the new officers, the party's president said: We can hardly expect that people who opposed the sanctity of private property until now will support it in the future. It appears that they consider personnel matters decided, and thus the Smallholders' Party will cease to be represented in the Ministry of Agriculture. What the Smallholders object to is not the new organizational concept, but the fact that nothing was done to take care of the transitional period, and thus the small producers were left to fend for themselves. Men of the old state-party are being brought into the ministry, and "the Smallholders are quite openly persecuted," said Jozsef Torgyan. He cited the man in charge of the transformation, who said that, other than the minister himself, he will tolerate no Smallholder in the ministry.

#### **Statute of Limitations May Change Retroactively**

91CH0842A Budapest HETI VILAGGAZDASAG  
in Hungarian 3 Aug 91 pp 77, 79

[Article by Gabor Juhasz: "The Winds of Prosecution; Ex Post Facto Justice"]

[Text] Parliamentary deputy Zolt Zetenyi proposes modifying the regulations concerning the statute of limitations, in order to make it possible to punish cases of homicide, treason, or disloyalty that were committed more than 20 years ago. According to jurists, however, it is doubtful if such legal modifications—previously used only in exceptional cases—could be introduced in the Hungarian Republic, which considers itself a nation based on laws.

Those enterprise managers or institutional directors who sometime in the past spent sizeable amounts of public money to purchase privately imported technological items on the open market might as well start hiring lawyers. In an ominous-seeming move, several officials of the Television have been accused of paying too much when they purchased automobiles for their enterprise.

According to the initial rumors, these people "lined their own pockets," but in the end it was officially stated that the Peugeot cars arrived in this country after too many intermediaries, so that they became quite expensive, and the buyers could only be accused of mishandling funds. It is a commonly known fact that the selling of computers was conducted in the same manner (only with fewer intermediaries); one of its motors being that the private importers were thus able to get a "better rate of exchange" for their hard currency than by going to banks. Naturally, in the absence of other procurement opportunities, the cost was borne by the final buyers, the state firms.

What distinguishes this next past-searching TV scandal from other crime-related news items is the time of its surfacing, coinciding with the near-unanimous decision made by the Hungarian Democratic Forum's [MDF] national leadership to support MDF deputy Zsolt Zetenyi's assertion, according to which the statute of limitations for some previously committed serious crimes differs from the general rules. As the lawyer-deputy proposed, in cases of homicide, treason, or disloyalty committed between 21 December 1944 and 2 May 1990, statutory limitations should begin to apply on 2 May 1990, because, he claims, before the formation of the new National Assembly the judicial system was prevented from prosecuting them for well-known political reasons.

If the majority of the National Assembly were to follow the example set by the MDF leadership, then the perpetrators of these crimes would once again be subject to prosecution, even though right now they are not, for the simple reason that too much time has passed. According to the law in effect at the present time, passage of the statute of limitations, similarly to the granting of pardon, is a cause for suspending criminal procedures. By the way, for crimes covered by the Zetenyi bill the statute of limitations is presently 20 years. Of activities older than that, only certain war crimes and crimes against humanity could be prosecuted, because they have no statute of limitations.

At their press conference, spokesmen for the MDF emphasized that, even though they have no intention of initiating political trials, there have been plenty of times in history when crimes were created retroactively, immediately raising the issue of the trials at Nuremberg. In addition to being in bad taste, the validity of this reference is debatable. It is true that the Allies were "in mid-stream" when they agreed (in Moscow in 1943 and in London in 1945) to put the Fascist war criminals on trial. According to legal experts, however, they did not simply declare innocent acts punishable crimes. After all, such acts as "crime against the peace" (exemplified by initiating an offensive war), "war crimes" (infringing upon war regulations and practice), or "crimes against humanity" (as in massacring or deporting civilian populations) have all been considered crimes even before the war, or were proscribed by international law.

To be sure, there have been other times when the statute of limitations was abolished in Hungary. In 1945, in connection with the activities of the People's Courts, it was decreed that "for activities committed between 21 June 1941 and the cessation of hostilities, statutory limitations start to take effect on the day when the truce was signed (20 January 1945)." Even more reminiscent of the Zetenyi proposal is the extraordinary law introduced in 1945 and applicable to the period following the period of the [1919] Hungarian Soviet Republic. It stated that "when it comes to the politically inspired murders committed in 1919 and during the subsequent

years—whose persecution was prevented by the regime in power—statutory limitations start to take effect on 21 December 1944."

Obviously, we could debate whether the principle of statutory limitations is a rock-hard element of a state based on the rule of laws, which could be dispensed with as "permitted" by the UN, or every victorious political regime has the right to deviate from the principle. There are those who are less understanding: The constitutional jurist Albert Takacs, for example, refers to the Zetenyi proposal as "nonsensical, and even "simple-minded."

In addition to going against the principle of statutory limitations, ratifying the proposed law may also go against the principle of "nullum crimen sine lege," which means that no one can be prosecuted for an act which was not a crime at the time it was committed. This does not apply to murder; that was a crime in the previous regime, and it still is. Formally speaking, the same is true for treason and disloyalty, too; although the criminal code used to protect the Hungarian People's Republic, and now it protects the independence, territorial integrity, interests and constitutional order of the Hungarian Republic, meaning that the "political content" of the act has been modified. In other words, the great question (more political than legal) is obviously this: Based on the new modified statutory limitations, could someone be prosecuted as a traitor because in 1956 he allied himself with the Soviet Army? If this were the case, then a person like that could be tried as common criminal, thus avoiding the charge of "politicized justice."

Nevertheless, the Zetenyi proposal could easily lead to unlawful activities. After all, it would make it possible for us to review every acquittal handed down before May 1990, saying that the system of justice was hindered in prosecution. We might also ask, is not it too high a price to sacrifice one of the pillars of a state based on the rule of laws; would not citizens of the Hungarian Republic lose their confidence in justice if they did not know what was permitted and what was not, if they were not sure whether their actions would be judged according to laws that are in effect at the time?

These legal doubts indicate that the Zetenyi proposal will end up the same way as last year's Justitia plan: It will not be ratified in its original form. At the same time, it is remarkable how proposals of this type are put forth from time to time by today's governing party, or circles close to it. For example, just before last year's parliamentary elections, the Independent Forum of Jurists proposed the establishment of so-called justification committees, primarily to side-step the laws on statutory limitations (see HETI VILAGGAZDASAG, 17 March 1990); and as the local elections were approaching, it was the MDF that came up with the Justitia plan. But those proposals focussed on the leaders and cadres of the previous regime, and by and large referring to political responsibility, although did not exclude the possibility of criminal prosecution. Evidently, the governing party has been having some difficulty with trying to punish the guilty



without committing unlawful acts, and convict every culpable individual without harming a single innocent. The above mentioned proposals indicate that from time to time the MDF is swayed by those who feel prosecuting an innocent person is less of a problem than letting a guilty one escape punishment.

Speaking at Imre Nagy's 1989 funeral on behalf of former prisoners at the Recsk labor camp, Tibor Zimanyi said that naming the guilty ones should be their punishment. Even Zetenyi did not refer to the kind of justice he now proposes when, also in 1989, and speaking for the Bajcsy-Zsilinszky Society, he contributed an essay on the justice system's renewal to the Constitutional Pamphlets, sponsored by the Ministry of Justice.

We could ask what could be behind this law proposal, which right now is resting for the summer. Vengefulness is unlikely, after all, the Zetenyi proposal says that punishment can be indefinitely reduced; the systemic transformation does not this kind of, rather symbolic, "bolstering," and defense against a restoration attempt would be an artificial reason. The only serious cause could be the citizens' dissatisfaction; their need to see historical justice served. And a series of trials envisioned in this proposal could for years focus attention upon the crimes of the past, while—perhaps not accidentally—make us forget about our present problems. However, one is on shaky ground when one relies primarily on the public's legal sensibilities; if it were decided by a plebiscite we would still have the death penalty, and we may even execute people in public.

By the way, Zetenyi's idea is not new. Alajos Dornbach mentioned (early in 1990, that is, when he was still a dissident jurist) that "certain people" call for changes in the statutory limitations along the lines of the 1945 practice. But Dornbach, who certainly cannot be accused of being pro-Kadar, immediately stated: "The creation of any retroactive criminal decree, or the modification of the statutory limitations, would be harmful, and could bring with it unforeseen consequences."

#### **Competition Office Head on Monopolies, Market**

91CH0873A Budapest NEPSZABADSAG in Hungarian  
16 Aug 91 p 1

[Interview with Competition Office Director Ferenc Vissi by Maria Lakatos; place and date not given: "Many People Only Dream of Market Economy, Says Competition Office Director Ferenc Vissi"—first paragraph is NEPSZABADSAG introduction]

[Text] (From our correspondent)

"The existence of monopolies in certain areas must be taken for granted, and we must learn to live with them" says Competition Office Director Ferenc Vissi. On the other hand, the state cannot forsake regulating most of them. We asked Ferenc Vissi about the situation of monopolistic firms that are maintained on Hungary's

characteristic market or are in the making, and about what must be done in this regard.

[Lakatos] Every one today talks in Hungary about a free market, although the situation that has developed is very peculiar. On the one hand, the state sector's collapse is extremely rapid, but not even the growing number of ventures can take its place and, thus, new monopolies are being established; on the other hand, the old big ones are still alive. Sometimes it appears to me that, under the surface of the free market, it is still monopolistic firms that rule the economy.

[Vissi] In Hungary, many people only dream of a market economy, and few of them know what it is. Those who define the market economy as a goal also want the economy, development, and affluence. However, few of us know the dark side of this. I hope that politicians do see this, otherwise society will be subject to unexpected shocks. Developed market economy is highly regulated, regardless of whether it is directed by a liberal or conservative ideology. We took off on a certain path but economic legislation is lagging behind, especially with regard to certain specific policies. This path is quite rough and, in addition, the power struggles make it even rougher. No wonder, then, that you have the feeling that too little change is occurring. In spite of this, CEMA's collapse and the big monopolistic firms' loss of market had a drastic effect on our economic structure. The fact that smaller ones are being newly established is not the only change; also, the disintegration of the one-time big ones is becoming more and more rapid, for one can seldom survive such a significant loss of market without a shock.

[Lakatos] It seems as if the debate that is going on in politics, between those advocating a liberal policy and those endorsing state intervention, were reviving even during our present talk.

[Vissi] Today's liberal economic policy is not set yet, but the situation is the same with conservative views as well. Much more time is needed for this and, in addition, the example of developed countries indicates that the central issues of liberalism and conservatism have always changed during different times. There are countries even today where people are justified in being proud of their liberal views and while at the same time one or another economic sector is regulated with extreme strictness. We must be careful in using adjectives for some time to come. Market economy is an economy that is organized through capital according to private interests, and those who have money will do anything to have more of it. On the other hand, the state's role is to serve public interest—even against private interests if necessary—and to assure that society draws as great benefits as possible from the operation of private interests. The entire state administration is built around this function, and that is how it operates and, thus, it serves public interest, regulating private enterprise accordingly. In Hungary, too, the change has begun but state enterprise is still



prevalent. However, as this change is taking place, the attitude of the state administration will also have to change.

[Lakatos] It seems that it has not yet been decided how much one must like private entrepreneurs who are in principle supported by everyone. On the one hand, they pay less income tax than retirees and, on the other hand, it is precisely privatization from which they are excluded.

[Vissi] I also heard this kind of comparison in connection with taxes. I think this is one of those cases in which telling the truth arouses suspicion to begin with because of comparing things irrationally. Basically, the private entrepreneur pays other taxes than income tax. On the other hand, it is a basic fact of market economy that all entrepreneurs try to evade all taxes, and if they fail in doing that, they may go under. And it is entirely natural, and even beneficial, for the entrepreneur to increase his investments by paying less taxes on profits. Such a possibility does exist.

Thus, they use their money for the accumulation of capital and assets instead of paying themselves personal incomes. To my knowledge, no one, not a single Hungarian entrepreneur, is excluded from privatization. It is another matter that they carefully consider the state enterprise they want to buy and the conditions of the purchase. Surely, had they been given away free, they would have changed hands.

[Lakatos] Yes, but even the entrepreneurs who are well provided with capital are hardly in the same weight category in connection with the state enterprises which have a monopoly in the marketplace through their connections, assets, etc.

[Vissi] I do not believe this. Do you think it is an accident that entrepreneurs with considerable means do not complain? In addition, private entrepreneurs have avoided until now the big state firms' fields of operation. I am not saying that relations are entirely smooth. But there is a lot of misunderstanding about monopolies, and many people may consider something a monopoly that is something entirely different. Monopolies naturally exist in certain areas, and we must live with them. But public interest demands their regulation. For if there is only one supplier on a market, then there is no competition and everything serves the benefit and advantage of the monopoly. But we can also go to extremes in this "great itch for liberalism" if, in the meantime, the state relinquishes its right and opportunity to regulate.

[Lakatos] What are you thinking of in concrete terms?

[Vissi] Look, so-called natural monopolies exist that are entirely independent from the forms of ownership. For instance, he who owns a cable network has a monopoly, for there is little chance that someone else will build

another one. In such cases, certain conditions of company operations are usually regulated by law. This regulation may take the form of limiting the freedom of signing contracts, of regulating prices, or of setting up a specific tax system.

Moreover, considerations of effectiveness must be strictly enforced in this area, too, which is not easy. Conceivably, consumer representatives could be involved in this process in some way. There are many examples of this abroad. No comprehensive survey has been done yet in Hungary on what kind of monopolies exist and in what areas, or on which ones would be justified to maintain. But, according to a July resolution of the Economic Cabinet, the monopolies will be mapped, after which it will be possible to decide item by item in the various areas, where these monopolies should be maintained, where they should be abolished, and in what way public interest can be guarded. This, too, is a serious field, but today's slogans still do not display enough respect for it. Moreover, one is supposed to calculate first before cutting. I found it incomprehensible when a parliamentary representative during last year's debate on the competition bill proposed to abolish all monopolies by a deadline.

[Lakatos] The Competition Office is presently looking into the activity of the OKGT [National Oil and Gas Industry Trust]. For it is incomprehensible that while anyone can import oil as of 1 January and the world market price of oil drastically decreased last spring, the price of gasoline is constantly increasing in Hungary. This interesting phenomenon is not explained by the fact that—the way you put it—the company has a natural monopoly since it owns both the pipeline and the processing facilities.

[Vissi] I cannot, I do not want to, influence the Competition Council's future decision, but I believe that, basically, the OKGT acts as if it were a corporation, taking advantage of—surely not abusing—its position. But there are signs already that liberalization can also be hasty, for the OKGT's pricing and profits were strictly regulated until 31 December but there is not a single pricing regulation at present, and liberalization has been unable to create any competition. As you also mentioned in this regard, the company owns the crude oil pipeline, the storage tanks, the processing facilities, and the commercial network. The OKGT cannot be blamed for taking advantage of its position.

[Lakatos] But it is also totally incomprehensible why companies that enjoy a monopoly, e.g., the Electric Company, reap the highest profits from year to year. Do they, too, only take advantage of, and not abuse, their opportunities?

[Vissi] Naturally, the biggest firms have the biggest profits, and this is no justification for any kind of value judgment. It can be decided only after a thorough study whether profits are high or low. I believe that the biggest problem in this area at present is that the operation of

firms that enjoy monopoly is hardly, or not at all, regulated and, therefore, the efficiency requirements cannot be enforced. This is precisely why a review of monopolies has been initiated and, hopefully, the Economic Cabinet will be able to discuss the present situation in September, after which proposals can be worked out and implemented. There are no miracles, however, but if those involved are dedicated in this work, a serious "economic war" can be expected. A lack of such a war will mean that the subject has sunken into the puddle of superfluous political compromises.

### Small Private Business Thrives Despite Problems

91CH0873C Budapest NEPSZABADSAG in Hungarian  
18 Aug 91 p 4

[Interview with private entrepreneur Ferenc Gemesi by Aniko Antal; place and date not given: "For Both Poor and Rich, Every Day"—first paragraph is NEPSZABADSAG introduction]

[Text] The phrase "It would be so good if..." is now "It is so good" in our part of the world. A 25-year-old young man has turned back the wheel of time to the bygone times when one woke up in the morning to crunchy and hot croissants, twisted milk-loaves, sweet cheese pockets, or chocolate buns waiting to be served—well, not in bed on a platter but hung on the door knob.

For the past few weeks, bread and baked goods have been delivered to homes in the suburb of Angyalfold, either in the morning or in the evening, as requested. If the customer so wishes, something to accompany the coffee in the morning, and something else to go with the stew in the evening.

Even on Saturdays and Sundays. Free of charge. That is, for the prices listed in the brochure, which are the same as those of private bakeries.

[Antal] Clearly, it must be unprofitable to deliver two croissants, ring the bell, wait for grandma to come down six stairs, and then "Oh, my, I forgot my key, wait a minute, son..."

[Gemesi] I deliver to seventy homes, have been doing it for a month, and I am not in the red.

[Antal] But, with two croissants...

[Gemesi] This is not a separate trip, it is not out of the way, I just simply have to stop. I may deliver something to five other places on the street.

[Antal] But you package it like a baby. If the customer is not at home, you put it in tissue paper or a bag, and then in a plastic bag. To dress up a 22-forint loaf of bread this way.... The sauce costs more than the meat.

[Gemesi] You are not figuring it right. I say that if I am not willing to shoulder this extra expense, the customer may buy his bread somewhere else. One customer makes

30 orders a month, 365 orders a year. And I do not need a plastic bag for every customer.

[Antal] Do the customers pay in advance or daily?

[Gemesi] I collect once a week, afterwards. If the family's menu has changed and they do not need bread the next day, the customer should not be forced to buy just because he has already paid for it.

[Antal] How do they call you? Mr. Gemesi? Or Ferenc? Or Frankie?

[Gemesi] Little Loaf. "Little Loaf is here, good morning! How early you were up, today, too!"

[Antal] Really, at what time do you get up?

[Gemesi] At three thirty. I drive out to Dunakeszi for the merchandise and then deliver it. The same thing in the afternoon. It is midnight when I get to bed. When it is time to make up for the lost sleep, my fiance jumps in for me for the morning round.

[Antal] Do you swim and play tennis between morning and afternoon to keep in shape?

[Gemesi] I may just give it a try someday. But I handle three businesses now. We already operate a trailer store, and I would like to set up two additional stands in the neighborhood, also for bakery goods.

[Antal] Does your cherry tree grow 1,000-forint bills?

[Gemesi] Unfortunately, no. But I took out a 300,000-forint venture loan at 39 percent interest. I had some personal savings, too. The trailer cost me 270,000, we spent half of that sum to equip and convert it. I bought a 23-year-old Renault for 60,000; it gets 50 miles a gallon and it looks really good. I am an auto mechanic by trade; I can do maintenance work on it and I can also do body work. With regard to the stand, it will have only material expenses, I can work well with metal, carpentry is no big deal either, all I need is a good "pattern." And I make money in the meantime, cleaning attics for instance. It is hard and dirty work but pays well.

[Antal] Why did you choose bread as your bread?

[Gemesi] Because both the poor and the rich need it, and every day.

[Antal] What was the most difficult thing for you as a beginning entrepreneur?

[Gemesi] To swallow being told in the offices, "Wait for your turn, we will call you, come back tomorrow."

[Antal] Did you not lose your spirit?

[Gemesi] I have just really gained it. I am already working on the KOJAL [Public Health and Contagious Disease Station] permit for home delivery of milk and milk products as well. I would later like to expand my services to include other food items as well. It will depend on finding a dependable producer. For my

success is based not on the price but on the merchandise. It has to be bad only once.... Many people are willing to pay a little more for the convenience of not having to go from store to store but have me bring them guaranteed top-quality products directly to their homes.

[Antal] Small business does not generate huge assets.

[Gemessi] The trouble is, many people want to get rich fast. I still have lots of time.

[Antal] And where do you get the courage?

[Gemessi] It is too late now to be afraid.

### Local Governments 'Struggling' With Deficits

91CH0873B Budapest NEPSZABADSAG in Hungarian  
22 Aug 91 p 5

[Unattributed article: "Local Governments Levy Hardly Any Local Taxes"—first paragraph is NEPSZABADSAG introduction]

[Text] It is almost a commonplace statement that all local governments struggle with budget deficits. Concrete figures will be published soon, for local governments, in accordance with the budget law, already submitted their semi-annual budget report by 15 August. In the meantime, until the data are put together, we asked Mrs. Imre Darazs, deputy director of the Ministry of the Interior's Main Department of Local Government Economy, to summarize her findings.

Local governments have two large categories of financial resources: state subsidy and their own revenues. These resources are basically regulated by the annual budget law. Local governments are qualified for a significant part (about 80 percent) of state subsidies on an individual normative basis. Normative subsidy means a contribution from the central budget to the local governments' continuing expenses. The norm for the expenses of individual tasks is generally set on the basis of a national average, and the local government has no limitations on the contribution's use. Since an "average" does not exist, the needed amount is, in reality, either above or below this "average" and, thus, normative subsidy is, by itself, inadequate (and is not even supposed to be adequate) for financially supporting the operation of the local government system. The system of supplementary subsidies was created to alleviate problems originating from this. Beyond this, the range of reconstructions and investments of the local government sphere that society finds extremely important is supported individually and specifically from the central budget.

According to this year's state budget law, the financial resources of local governments will be increased by 31 percent as compared to the year 1990. The resources of local governments that have been previously calculated centrally will look like this in the present year: own revenues (local taxes, ventures etc.), 65 billion forints; 50

percent returned personal income taxes, 47 billion; normative state subsidy, 147 billion; specific, individual, and supplementary subsidies, and centralized provision, totaling 42 billion; transfer from the Social Security Fund for basic health care, 63 billion; loans and bonds, 4 billion forints. This, then, comes to a total of 368 billion forints. Normative state subsidy and the local government's share of personal income taxes are paid in equal monthly installments, which is a significant guarantee for operation throughout the year.

According to the 1991 state budget law, financial resources are also listed among the individual ministries' budget allowances.

Although there is still no exact information on financial management for the first half of the year, it is certain by now that local governments faced no permanent problems of liquidity. In a few individual cases, difficulties had to be bridged through short-term loans.

Financial stresses surfaced at independent local governments that seceded from joint councils. Because of more limited resources, it was more difficult to maintain the earlier institutional system. A lesson learned from the past period was that the local governments' new independence resulted in extra expenses indeed.

Primarily as a result of the subsidy system's normative character, it is a problem of local governments to assign first priority to operations. Local governments are still at the initial steps in reviewing their tasks and institutional systems.

They are able to use only a very limited portion of their budgets for restorations, which may present problems in the long run.

The returned portion of personal income taxes is particularly beneficial for local governments where the per capita income taxes are lower than the national average. The normative state subsidy simply cannot compensate for the amount of lost personal income taxes where they are higher than the national average. A most typical case of this is that of Budapest.

Local governments hardly levy any new taxes and they do it with great self-restraint and only after assessing the local income situation.

Problems surfaced primarily in places where the new regulatory system was unable to handle the financial consequences of earlier (council) decisions, where financial resources could not be assessed exactly, and where a resoluteness in deciding on expenditures was perhaps lacking.

A report on the national situation confirmed by concrete figures will be available only in early September, after the evaluation of the data.



**Leading Lawyer Views Profession's New Status**

91CH0842B Budapest MAGYAR HIRLAP  
in Hungarian 7 Aug 91 p 5

[Interview by Karoly Lencses with Jeno Horvath, president of the National Chamber of Attorneys; place and date not given: "Life Will Perform the Screening"]

[Text] Within a few months the law on lawyers will go into effect, and there will be great opportunities for every licensed jurist. "Unfortunately, we cannot be sure that each of our new colleagues will be guided by professional commitment, high morality, and excellent preparation," said Jeno Horvath, president of the National Chamber of Attorneys.

[Lencses] The law of 1958 eliminated private law practice and introduced a compulsory formation: the working cooperative. That limited the number of practicing attorneys; now, however, the law on lawyers will end this. After all, anyone satisfying the requirements will have to be admitted to the Chamber, and after he is registered he can work in a bureau or private practice.

[Horvath] True; but what is even more important is that they passed a law on the sovereignty of attorneys and the right of citizens to legal representation, which is unquestionably one of the indicators of democracy. We can now safely say that lawyers are guided by the law alone, and if he does not infringe on the norms of his profession, his person is protected.

[Lencses] Are there any estimates on how many jurists wish to pursue a career as an advocate?

[Horvath] We do not know how great is the actual interest, but we know that including the compulsory registration of about 1,000 associates of the legal counseling cooperatives the chamber has 3,500 members.

[Lencses] That does not seem to be such a great number.

[Horvath] Indeed; although in Austria, which is similar to Hungary in size, there are 2,000 lawyers, even though in that country there are different conditions for the legal representation of citizens and management units.

[Lencses] Still, it does not seem that our lawyers will be idle; after all, administrative procedures or the approximately one million compensation cases will keep them busy for quite a while.

[Horvath] I am quite sure that the number of actionable administrative decisions will not increase all of a sudden, and even most of the compensation cases will not require legal intervention. On the other hand, as the tempo of privatization picks up, there could be increased demand for attorneys. Still, we are also threatened by unemployment; especially if there will be thousands entering the legal profession.

[Lencses] If the cooperatives are eliminated, who will take on the thankless and underpaid task of assigned [public] defenders?

[Horvath] We are planning to have the local chambers distribute assignments among all registered lawyers in an equitable manner. Of course, our members will be free to make arrangements among each other concerning individuals who do not wish to take on criminal cases. In these cases, obviously, the colleagues performing the actual work will have to be reimbursed for their expenses.

[Lencses] The chamber's role in admitting candidates into the profession will be limited to examining formal requirements, and there will not be any opportunities for evaluation. Are not you worried of a decline in the legal profession's standards?

[Horvath] Setting out prerequisites as to what are the objective conditions under which lawyers may work cannot be considered a formality. But it is, indeed, more important for the chamber to safeguard the honesty of the legal profession and take all steps to uphold professional standards. If there is an unreasonable increase in the number of lawyers, that could present existential problems for some of them; and anyone who has difficulties earning a living may also be morally vulnerable. Unfortunately, we cannot be sure that each of our new colleagues will be guided by professional commitment, high morality, and excellent preparation. Still, life will perform the screening. To a certain extent, our profession is a public office; it is reasonable for us to demand more from lawyers than from other citizens. Anyone violating the norms of the profession can expect to see the chamber take certain steps. And since membership in the chamber is a condition for practicing law, the most serious sanction is being expelled. In order to do this, we need a strong leadership in the chamber, which considers the interest of citizens in addition to professional factors.

[Lencses] Can the chamber interfere with the size of professional fees?

[Horvath] When it comes to professional fees, several approaches prevail abroad. In some countries the limits are set by the Ministry of Justice (this used to be the norm in Hungary, too); in others it is the chamber that issues guiding principles, and there are places where the lawyer and the client are free to make their own arrangements. We have been promoting the latter approach, with the Ministry controlling the size of fees for court procedures.

[Lencses] Can such a system work in this transitional period, when we cannot talk about a balance of supply and demand?

[Horvath] We are planning for the chamber to issue guidelines that will prescribe the highest and lowest fees. We do not wish to regulate lawyers by doing this, but we must prevent situations in which lawyers would demand too high or—in times when there may be a temporary



surplus of lawyers—unethically low payments. If the membership approves this guideline, we will publish it, so we can aid the clients in making their decisions.

[Lencses] Would this also reduce the differences in the earnings of various lawyers?

[Horvath] There will always be famous lawyers and busier law firms. I do not consider this unhealthy; however, I hope that fashionable lawyers who command very high salaries achieve this with their professional knowledge and human character.

**Panoramic Overview of Political Groupings**

91EP0673A Warsaw KONFRONTACJE in Polish  
No 7/8, Jul-Aug 91 p 6

[Unattributed article: "The Political Panorama"]

[Text]

**Agrarians and Peasant Party Members**

A class movement—a political representation of a peasant strata fighting for a suitable political position for the countryside and its residents. A movement of great historical traditions (Wincenty Witos, Mikolajczyk's Polish Peasant Party [PSL]). Now split and with no uniform leadership. On the base of the old United Peasant Party (ZSL), the candidate for president in 1990, Roman Bartoszcze (former Solidarity activist), tried to revive and unify the peasant movement, but his mission is slowly ending with defeat. In the outlying areas the deals made to retain the old structures are winning out and it is doubtful that all of the groupings will draw up a joint list (despite the initial declaration of the leaders that this will happen). The main groupings: the Polish Peasant Party (PSL), the Polish Peasant Party-Solidarity, Rural Solidarity, and the Rural Youth Union. The leaders: Roman Bartoszcze (PSL), Jozef Slisz (PSL-S [Polish Peasant Party-Solidarity]), and Gabriel Janowski (Rural Solidarity).

**Christian Democrats**

Strive for a democratic state based on a system of Christian values and the social teachings of the Catholic church. An ideologic movement consisting of almost 20 parties and groupings. Center Accord, which transformed itself into a uniform Christian Democratic grouping from a loose alliance of several groupings supporting Lech Walesa as candidate for president of Poland, became decidedly the strongest in February of this year. Center Accord dominated the so-called "Belvedere [Palace] camp," but is not Poland's sole representative in the international Christian Democratic movement. Several smaller groupings are also represented, who, in order to unite, called the Christian-Democratic Congress.

Leading figures: Jaroslaw Kaczynski (Center Accord), Wladyslaw Sila-Nowicki (Christian-Democratic Labor Party), Pawel Laczkowski (Party of Christian Democrats), Janusz Zablocki (Christian-Democratic Party "Zjednoczenie" [Association]).

**Communists**

After the Polish United Workers Party (PZPR) dissolved, some of its members formed the Socialdemocracy of the Polish Republic (SDRP), but the decided majority gave up official political activity. Of the over 1 million members of PZPR, 60,000 remained in SDRP. However, a large number remained in the OPZZ (the government trade union federation), which cooperates closely with SDRP. Stanislaw Tyminski's Party X often

relies on former PZPR activists, but officially only one grouping admits to a communist ideology—the Proletariat Union of Polish Communists, organized in the summer of 1990 in Sosnowiec. The leader of the grouping is Jan Zielinski, and its symbol is a red carnation. It strives to create an alliance with the Polish Left.

**Conservatives**

Strive to create a capitalist state in Poland, in which the authority of the president would be strong. Demand a reduction in the legislative function of Parliament in favor of a greater role for local legislation. Very frequently form business clubs and associations, e.g., the Industrialists Association, thanks to which they want to recover the nationalized assets of their families. Their main political groupings are the Polish Conservative Party, the Conservative-Liberal Party, and the Republican Party (in Malopolska). Some of them cooperate with the few monarchist clubs, e.g., the Monarchy Preservation Club, or the Aleksandro Fredro Monarchists Club. Leaders: Slawomir Jaruga and Aleksander Jedraszczyk (Conservative-Liberal Party), Jan Franczyk (Republican Party).

**Liberals**

A pragmatic grouping declaring itself in favor of a free market economy, a pluralistic political system, minimum state interference, and tolerance. Oppose the building of an ideological or denominational state. A movement without historical traditions but with modern foreign models. Main grouping: Liberal-Democratic Congress (KLD); others are less important. In many cities liberals are slowly uniting under one banner (recently a few groups joined the KLD in Lodz). The growing popularity of this movement is clearly ascribed to actions of the government (Prime Minister Bielecki emphasizes that he is a liberal). But it will be a long time before the liberals in Poland form their own government. Leading figures: Jan Krzysztof Bielecki, Janusz Lewandowski, Donald Tusk (all belong to KLD), and Janusz Korwin-Mikke (Union for Real Politics).

**National Democrats**

A movement striving for the development of Poland's sovereignty, internal order, and a strong state. Inheritors of Roman Dmowski's ideas, looking more to the East than to the West. Opponents of the cosmopolitan isolation of Poland, advocates of the cultivation of a national tradition and culture, and the protection of the Polish market from products coming from other countries. The most important grouping: the Democratic-Right Faction of the Democratic Union—evolving from the traditions of the Young Poland Movement and then the Democratic Right Forum, the National-Democratic Party, and the Christian-National Association. A few groups present an extreme national and nationalistic program (the Polish National Party). The Belorussian Democratic Association is a national-democratic grouping of the Belorussian minority in Poland. Other nationality

groups do not have their own political groupings, but are members of cultural and social associations.

Leaders: Aleksander Hall (Democratic Right Faction of the Democratic Union), Jan Zamojski (National-Democratic Party), and Wieslaw Chrzanowski (Christian-National Association).

#### Social Democrats

Strive for strong parliamentary democracy, development of self-management and the cooperative movement, and social welfare. Oppose privatization which goes too far, postulate greater state intervention in the economy and more effective protection of the Polish market. Take a very strong position on protecting the rights of the poorer, less resourceful elements of society. Many groupings: Social-Liberal Faction (FSL) of the Democratic Union (UD), the Polish Socialist Party (PPS), Labor Solidarity, the Democratic-Social Movement, the Social Democracy of the Republic of Poland organized by activists of the former PZPR, and the Polish Social Democratic Union (PUS), which cuts itself off from the PZPR traditions. There are strong unifying tendencies among the social democrats, but they clearly do not penetrate the boundaries between the Solidarity camp (the PPS bloc, Labor Solidarity, Democratic-Social Movement [RDS]), and the former communist camps (SDRP, Working People's Movement, OPZZ, Democratic Women's Union, young people's unions—ZSP [Polish University Student Association] and ZSMP [Union of Socialist Polish Youth]). The Democratic Union faction is completely beyond these tendencies, but is strong enough to pull the whole grouping in its direction. Leaders: Zofia Kuratowska and Jack Kuron (FSL Democratic Union), Ryszard Bugaj and Karol Modzelewski (Labor Solidarity), Zbigniew Bujak (RDS), Jan Jozef Lipski (PPS), Aleksander Kwasniewski (SDRP), Wlodzimierz Cimoszewicz (Parliamentary Club of the Democratic Left)—officially does not belong to SDRP, and Tadeusz Fiszbach (PUS).

#### Greens

Ecological movement, working to protect the environment. Does not have a uniform, all-Poland structure, although recently the Ecological Faction of the Democratic Union was formed. Generally split into many local groupings, organized for the purpose of settling concrete problems. Often works together with young pacifist groupings (e.g., "Freedom and Peace"). Parties: Polish Green Party (PPZ), Ecological Federation, Union of Greens (Pomerania), Polish Ecological Party. In addition: Polish Ecological Club and "Wole Byc" [I Would Prefer to Be] youth movement. Leaders: Zygmunt Fura (PPZ-Krakow), Janusz Bryczkowski (PPZ-Olsztyn), and Jan Prochowski (Union of Greens). The ecologist's symbol is a green leaf.

#### Need To Change Political Language Viewed

91EP0672A Warsaw SPOTKANIA in Polish No 29,  
31 Jul 91 p 28

[Article by Marek Kochan: "Allergy to Words"]

[Text] "Marxism believes that the passage of a language from an old to a new quality occurs not by way of an explosion, not by way of an annihilation of the existing language and the creation of a new one, but by way of a gradual accumulation of elements of a new quality, i.e., by way of a gradual necrosis of the elements of the old quality."

In writing these words, the "Great Linguist," Joseph Stalin, I daresay, did not suppose how apropos they might sound when uttered in the Staszic Palace Hall of Mirrors in Warsaw during a session of the Warsaw Learned Society, devoted to the language of politics.

Linguists and sociologists were to make a diagnosis and express their desires regarding the public language in Poland in the year 1991 A.D.

Dr. Andrzej Piotrowski, sociologist from Lodz University, described the changes which occurred in political discourse during the last 10 years, as seen from the Solidarity side. He singled out three stages: In the first, from 1980 to the June elections—the "we-they" opposition was fundamental to the Polish language. Differences were hidden behind the superior "we," and values from various types of national, civic, and socioeconomic interests were mixed.

After the elections in 1989 and the takeover of the government by Solidarity, a discourse began which underscored differences, but the superior "we" was retained. The rhetoric of acceleration initiated the third stage. A division of values and interests took place. The former supported the old "we" community and the latter defined the "they" group.

Paradoxically, the advocates of "acceleration" practice a policy interpreted as a realization of values, while the Mazowiecki team was in this sense more pragmatic and emphasized efficiency.

Dr. Ireneusz Krzeminski, sociologist from Warsaw University, criticized the contemporary Polish language of politics as being a tool for concealing one's own intentions and revealing the intentions of others, as a result of which the actors in public life lack a clear identity. The politics are personalized (decisions pertain to persons and not options), the identification of groups is of an exclusively negative nature—what someone else is accused of. The mixing of values and interests is supposed to be deliberate—the muddiness of the language of politics is an instrument of action, as is the creation of an enemy, serving to mobilize the masses.

Prof. Michal Glowinski, theoretician of literature from the Institute of Literary Studies of the Polish Academy of Sciences, looked for the influences of mew speech in the

present language of politics. These influences are supposed to be apparent first in the negative reaction to words associated with the old regime, e.g., "left-wing." The effect of new speech on the present language of politics is to be shown by the presence, in it, of the rhetoric of threat and also by the conduct of sham discussions. Talking about postcommunist forces whose resistance "grows as democracy progresses," sounds as if Stalin's prophecies that as the building of social progresses, the class struggle gains intensity, are being fulfilled. Prof. Walery Pisarek, linguist and press specialist from the Journalism Institute of Krakow University, in defining the language of politics as a "politically motivated variant of the national language," pointed to the consequences stemming from the fact that the literature about this language is also "politically motivated." Political viewpoints define the sensitivity of researchers for whom language which strikes at their own convictions is grating (e.g., in the FRG, "left-wing" linguists are allergic to the persuasional devices of the christian democrats).

The thesis about the similarity of the present language to communistic propaganda was expanded in another direction—that which is believed to be characteristic for this propaganda already appeared earlier. The language of politics is always persuasive—all that changes is the apparatus of the authority which stands behind this persuasion. Hopes for modification of this language are naive. All that can be done is to encourage criticism and distance towards public communication.

A discussion revealed the disparity of views on the subject of the present language of politics. What for some is the "madness of the postcommunist language" are the "characteristics of the language of politics in general," said Prof. Jadwiga Puzynina, linguist from Warsaw University, referring to the numerous West German reports devoted to these problems (see "Fencing With Words," SPOTKANIA No. 25).

All that can be demanded is the insistence that elements of ethics and upbringing be applied to public language in the spirit of the Aristotelian model of politics—action in behalf of the common good.

"The old superstructure can and should be destroyed and replaced with a new one in a few years, in order to establish a field for the development of society's creative forces; how can we destroy the existing language and then build a new language in a few years, without bringing anarchy to social life, without creating the danger that society will disintegrate?"—wrote Joseph Stalin in the brochure "Marxism and Problems of Linguistics."

Unfortunately, building a language of politics entirely cleansed of persuasion and insinuation (which was not at all what the "Great Linguist" was concerned with) is not possible either in a few years or at all. We must say good-bye to utopias. That is the price we pay for return to a "normal" world.

### Universal Privatization Program Criticized

91EP0696A Warsaw GAZETA WYBORCZA in Polish  
26 Aug 91 pp 12-13

[Article by Stanislaw Albinowski: "PPP? Three Times No!: As a Result of the Universal Privatization Program, Laborer and Engineer From Police Receive Shares With Total Value of 89 Million Zlotys, but Chemistry Professor Who Educated the Engineer Receives Only 1 Million in Shares"]

[Text] The excitement over adopting a government Universal Privatization Program [PPP] is gaining momentum, and official circles are reaching out to it, even after the disasters of the past era. For example, Dr. Jerzy Thieme, Minister Janusz Lewandowski's chief (!) adviser on PPP, stated in the pages of GAZETA WYBORCZA (No. 184) that this program, and I quote: "appears to propose the only correct, prudent way to achieve several exceptionally important goals."

You are being deceived by appearances, Dr. Thieme, as shown by the publications of titled economists with various doctrinal positions. Some of them hold views diametrically opposed to those of their colleagues, but they are in agreement on this matter. Suffice it to name some of the opponents of PPP: Minister Marcin Swiecicki and Deputy Minister Marek Dabrowski in Mazowiecki's government, as well as Barbara Blaszczyk, Mieczyslaw Mieszcankowski, Tadeusz Kowalik, and Jan Mujzel. The complete list would be far longer. The Polish Economic Society and even the premier's Council of Ownership Changes came out against the PPP.

But professional opinion is being ignored.

Dr. Thieme is, of course, correct in saying that Poland needs the sort of privatization that will make enterprises more effective while at the same time meeting the demands of social justice. But does the PPP provide the opportunity to reach these goals? My response is: On both counts, No!

### An Employee and a Citizen Are Not Equal

As Jerzy Szperkowicz correctly noted in his commentary bearing a title that says it all, "Standing Up or Lying Down, You Get Your Stock" (GAZETA WYBORCZA, No. 177): "There is no social justification for stock holding by capitation." Indeed, to distribute 60 percent of the assets of the 400 privatized enterprises "equally" is, by its very nature, bound to fly in the face of social justice, whatever you take this concept to mean.

This is because it is impossible to distinguish between those who created these privatized assets through their many years of honest work and those who wasted the assets or just "loafed." Why should a young person just out of school have the same share as a worker or engineer with 30 years on the job? And how would you prevent the white collar criminals and other perpetrators from receiving a share?

This social inequality in the even distribution of the privatized share of national assets is unavoidable, but there is one other far more important aspect of social inequality.



Now, alongside the 60 percent shares of the privatized assets that were "evenly" distributed among all adult Poles, employees of the 400 privatized enterprises will receive shares amounting to 10 percent of the value of "their" plants. And here is where we have a problem that nobody has noticed until now.

Let us do a little calculating. There are estimates that the total value of the 400 enterprises designated for universal privatization amounts to about 40 trillion zlotys. I cannot attest to the reliability of this estimate, but on the basis of comparative analyses I think that the estimate is rather likely to be true (or about 10 trillion zlotys less).

The matter in question here is dividing up this sum of between 40 and 50 trillion zlotys. Sixty percent of this value will be distributed among the 27 million adult citizens of the Republic of Poland. This comes to about 1 million zlotys apiece. Because this amount is less than the mean wage, it would be hard to deny that in the public mind this great endeavor will turn out to be an empty gesture.

At the same time, however, the approximately 40,000 employees of the privatized enterprises will receive shares worth at least 4 trillion zlotys, or an average of 10 million zlotys per employee, free of charge.

The inequalities go much, much further than that, however, because this average hides tremendous imbalances.

#### All Employees Are Not Equal

The real value of the assets of the various enterprises is unknown. The "400 List" published does not include any data other than the plant's name and location. The most important economic data appear in the list that ZARZADZANIE publishes of the 500 largest industrial processing enterprises in Poland.

As Tadeusz Baczko states (PRZEGLAD TYGODNIOWY, 4 August), about 100 of the 400 plants designated for privatization are on the "500 List." It took me half a day to glean from the "400 List" those enterprises that rank among the top 50 on the "500 List"—it turns out that there are six of them—and the bottom 50—there are 11 of them (see table below).

**Enterprises Designated for Universal Privatization That Rank Among First 50 and Last 50 Plants on the "500 List" of Largest Enterprises in Processing Industry**

Ranking on "500 List"	Enterprise	Enterprise Assets in Billions of Zlotys	Number of Employees	Assets per Employee in Millions of Zlotys
17	Zawiercie Mill	1,377.66	5,698	241.77
20	Police Chemical Plants	4,647.75	5,286	879.26
25	Batory Mill, Chorzow	563.79	5,766	97.98
31	Trzebinia Metallurgical Plants	218.58	1,520	143.80
45	Lublin Truck Plant	775.37	8,012	96.78
50	Blachownia Chemical Plants	777.84	3,131	248.43
1-50	Six enterprises combined	8,360.99	29,413	284.26
451	Semiconductor Center, Warsaw	856.57	4,823	177.60
454	Chelm Shoe Factory	97.15	2,912	33.36
457	Frotes, Prudnik	126.16	2,275	55.46
460	Famago, Zgorzelec	276.95	1,866	148.42
461	Lubon Phosphorous Fertilizer Plants	126.8	485	261.40
466	Zielona Gora Furniture Factory	119.52	2,132	56.06
477	Pollena, Wroclaw	95.81	708	135.33
479	Sabinow Mining and Metallurgical Plants, Czestochowa	121.16	1,091	111.05
483	Cotton Industry Plants, Luban	106.34	1,962	54.20
490	Ropczyce Sugar Factory	513.87	951	540.35
494	Kegar, Kepice	66.80	739	90.39
451-500	Eleven enterprises combined	2,507.11	19,944	125.71

Remarks: Ranking on "500 List" determined by amount of sales. Value of assets calculated as total of founder's fund and enterprise fund. Amounts given portray value of assets on the books after estimates have been made according to price indexing adopted for 1990. Employment based on mean during the year, excluding apprentices and persons employed to do piece work.

Source: ZARZADZANIE, No. 6/7 1991, and GAZETA WYBORCZA, 19 and 23 July 1991.

Per employee, the difference in the book value of the assets is tremendous. In current prices, the figure ranges from 33.4 million zlotys for the Chelm Shoe Factory to nearly 880 million zlotys for the Police Chemical Plants. The differences must be far greater on the scale of all 400 privatized enterprises, over 300 of which are not on the list of the 500 largest enterprises.

Among the 17 enterprises that I have singled out above, these shares will fluctuate between 3.3 and 88 million zlotys. Thus, an engineer from the Police plant will receive a total of 89 million zlotys (88 million as an employee plus 1 million as a citizen), an engineer from Chelm will receive 4.3 million (3.3 million as an employee and 1 million as a citizen), and the college professor who taught both of them, only 1 million (as a citizen).

The facts therefore contradict the hypothesis that PPP "will make it possible to distribute part of the national assets in a fair and equal manner." The assurances made that PPP will "increase the effectiveness of the enterprises" are also quite doubtful.

#### Private Enterprises Not Always Effective

A privately owned enterprise is usually more effective than a state enterprise, but exceptions to the rule are by no means rare. In 1990, eight out of the 80 largest European firms in four branches of industry "made" not profits but losses. Among these losses were 3.7 billion DM for Dutch Philips, 205 million DM for German AEG, and 2 billion DM for French Bull, along with 1.58 billion DM for Michelin. In the United States, Ford made a profit of 1.39 billion DM, but General Motors suffered a loss of 3.2 billion DM! (Calculations from local currencies to German marks based on WIRTSCHAFTSWOCH, 9 August 1991).

Thus, private enterprise is by no means a guarantee of financial effectiveness or profitability. It merely creates an opportunity to be exploited, the results depending on the business climate and the macroeconomic environment, along with the entrepreneur's ability to employ a keen market strategy and a proclivity to risk innovation. The main figure in business then is not the owner but the entrepreneur.

Ownership gives the right to manage, and the owner or a group of owners delegates this right to an entrepreneur by naming the company's director or administration. In order to gain this right, firms spend tens or hundreds of millions of dollars to buy a controlling interest in the ownership of other firms. But what is PPP proposing?

#### National Monopoly Administrations

About 20 National Assets Administrations are to be created to run the enterprises under them. The government (not the owners!) will entrust the management of these administrations to Western management firms, which are to be paid according to the financial results of operation.

Holding companies will therefore be created. These holding companies will reduce the enterprises' independence and naturally become industrial branch cartels or "vertical" monopolistic associations. Nothing calls for these groups to invest more capital or innovate.

A critical point for the whole concept runs far deeper, however. While in "normal" capitalism it is necessary to acquire (buy) the right to manage, in our country this right will be granted to foreign firms, not only free of charge but also with the prospects of lavish profits.

Let us not delude ourselves that the Supervisory Councils, whose chairmen are to be named by the president, will be able to exert any real influence over the policy wielded by these foreign administrations of Polish industry. Even assuming the greatest possible integrity on the part of the foreign managers, the administrations are going to put Poland's overall economic interests second.

Furthermore, improving effectiveness on the scale of the individual enterprises in no way means the same is true for the development of the economy as a whole. It need not lead at all to a rise in the population's standard of living, as the history of economic colonialism in the modern world has shown all too well.

In order to avoid any misunderstandings, let me say that I am an advocate of the most rapid economic cooperation possible between Poland and foreign countries, of importing capital and new technology, and of bringing in modern methods of enterprise management and optimal market strategies, but all of this in terms of partnership, not unilateral dependency.

#### Not So Fast!

My final "No!," my third objection to the intentions of the Ministry of Ownership Changes, is that the Sejm is to ratify the law on universal privatization before the elections, that is, within the next few weeks.

I think that such haste would be very harmful. The problem is too important to make decisions under time constraints. Independent of this, when this "cluttered," "contracted-for" Sejm has been questioned by the president's advisers on just about every controversial matter, why should it be finally burdened with the responsibility of ratifying a legal act that would cause a revolution in Poland's economic order?

The newly elected Sejm should make this decision, which is of such great significance, after thoroughly reviewing all the arguments on their merits and analyzing the foreseeable consequences of the present concept of universal privatization.

#### Number of Telephones, Subscribers Still Low

91EP0683A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 5 Aug 91 p II

[Article by A.K.: "Telephone Still a Rarity"]

[Text] The leaders in Europe long ago left us behind, and now we are attempting to catch up with them with baby

steps. At least that is the case with telephone communications, but other cases of this type can be found. In May 1991, as the Central Office of Statistics reports, the number of new telephone subscribers connected clearly increased. In just one month 20,200 subscribers were connected to the network, or 131.4 percent more than in the similar month of 1990.

During the five months of 1991, 90,900 subscribers, or 89.4 percent more than in 1990 were connected.

Foreign capital wants to support our communications and including such capital may make it possible to accelerate the installation of telephones. But without such capital, it is difficult to dream of normally operating enterprises, including foreign ones, accustomed to the completely different level of communications in Western countries.

And what is the level of telephone installations for particular regions, cities, and villages? The Central Office of Statistics does not have current data, but it has developed a detailed analysis for 1990. It shows that in 1990, near the end of December, there were 3.29 million telephone subscribers, including 2.5 million private ones. In terms of 1,000 inhabitants, the largest number of subscribers is in Warsaw Voivodship—189.0—the lowest is in Czeszochowa Voivodship—50.8. There are more telephones, on the average, as is known in the cities, but the differentials are surprisingly great. In the cities of Warsaw Voivodship, there is one telephone for 4.8 persons (it is difficult to count individuals in tenths, but statistics has its rules); on the other hand, in the rural areas of the voivodship, there is one telephone for every 23.5 persons. And the so-called green voivodships are not at all discriminated against; for, it turns out, that the worst situation in the rural areas is in the Lodz Voivodship, where there is one telephone for every 105 persons.

The degree of automation of telephone exchanges is relatively great in Poland; it reaches 91.3 percent, but city connections work for the average. In rural areas, less than half of the exchanges are automated. In spite of the high level of automation, on the average, getting a connection between cities, and even among particular city districts, as in Warsaw can be a real nightmare. But there is no reason to be amazed since the so-called degree of utilization of the automatic exchanges is, as the Central Office of Statistics reports, 90.1 percent. The chances for a connection, on the average, is one in 10, and during peak hours, much less.

#### **Drop in Popularity of Barge Transport Noted**

91EP0683B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 5 Aug 91 p II

[Article by Wieslawa Mazur: "Shippers Prefer the Rhein: Bydgoszcz Shipping and Shipping on the Oder"]

[Text] The transport enterprises Baltic Shipping and Shipping on the Oder, today the only inland shippers, prefer the Rhein to their own waters. There are a number of reasons. The most important is that in Poland there is

a dearth of business. Even construction, for whom barges for years hauled cement and crushed rock, have ceased placing orders. Fortunately, one can earn a lot on the Rhein.

Speaking of water transportation, one usually emphasizes that barge shipping, which moves slowly but uses little energy, is much cheaper than rail or truck transport. The Germans transport 30 percent of their cargo by water; the Dutch, 50 percent; and Poles, 2 to 3 percent.

One wants to ask why we do not want to do it more cheaply. In the Transport Ministry, they answer we want to but cannot, just because there are no appropriate year-round navigable water routes. It suffices to lean over a map (in this case published by the Binnenschiffahrts-Verlag GmbH [German company with limited liability]), to see that we have much catching up to do in terms of the rest of Europe. The best waterways we have are of the third class (green on the map and there is little of this color in Poland). In the former GDR, waterways of the fourth class begin (red). The Rhein is a luxury waterway of the fifth class of navigability (navy blue). Beyond it, there is a webbed network of equally select waterways.

Bydgoszcz Shipping and Shipping on the Oder push in that direction. The Rhein is a heaven for shipping firms. It is an international waterway, and if someone sails into its waters, he faces no limits or permits. The Rhein is France, Switzerland, and, above all, Rotterdam in Holland. There they haul coal, building materials, glass, etc., and then seek a load for the return trip. If there is none in Rotterdam, our shippers look along the Rhein.

One can wonder where others get the resources for waterways like that river, along which one can freely sail giants 175 meters [m] long, 22.8 m wide with a capacity of 3,000 tons. In Germany besides money from the budget and low-interest loans, which are marked for such investments, hydroelectric plants provide important contributions.

The ministries of transportation in Poland and Germany have negotiated an agreement on inland shipping, which is now ready for signing. It preserves all the privileges we had in the agreement of 1971.

#### **Problems Faced by Building Enterprises Viewed**

91EP0683C Warsaw RZECZPOSPOLITA  
(ECONOMY AND LAW supplement) in Polish  
7 Aug 91 p IV

[Article by Ryszard Barczyk: "Business Conditions Going Down: Building Enterprises"]

[Text] The decline in demand for labor, the inefficient use of the assets of the plants, the lower prices of service, and higher wages are what are influencing the financial condition of the construction enterprises during the current quarter. Those are the forecasts of the Institute for Economic Theory of the Economics Academy in



Poznan, which in addition to analysis of the changes in economic activity in the processing industry also conducts survey research on business conditions in construction.

These studies were begun during the first quarter of 1991 and include about 500 respondents who are divided into three groups: industrial construction enterprises, housing construction enterprises, and miscellaneous ones. In the second quarter of 1991, responses to questions in a specially prepared survey on business conditions were received from about 160 enterprises.

The non-numerical data in the answers received is processed into simple and complex indexes. The indexes in the first group reflect the particular questions in the survey. Their values are calculated as the difference between the percentage of positive responses to the given question and the percentage of negative answers to the same question. The complex qualitative indexes are represented by the so-called business-climate index, which is an arithmetical average of the values of the simple indexes relating to the general economic activity of the enterprise in the given quarter and the forecast for its business activity over the next three months. The values of the estimated index are contained in the range of -100 to +100. Negative values indicate a further worsening of the economic climate. Positive values of the estimated indexes can be a reason for noting a favorable economic climate and a further increase in the improvement of the economic climate.

#### **A Diagnosis of Business Conditions in the Second Quarter**

The general level of economic activity in the construction enterprises in Poland was very bad in the second quarter. Nevertheless, the answers received showed these evaluations are less pessimistic, with the exception of the enterprises in the miscellaneous group, than during the first quarter of 1991. Relatively, the situation was best among the industrial construction enterprises (the estimated index was -19.4), while it was worst among the housing construction enterprises (-34.4, which was still higher than during the previous quarter, when it was -43).

The very negative overall evaluation was caused by, among other things, the further decline in construction work during the mentioned period. The rapidity of the decline, however, was smaller than during the previous quarter of 1991. The reduction of orders for housing construction and for miscellaneous construction work was greatest. The estimated simple indexes were respectively -25.4 and -24.6.

The decline in the portfolio of orders for construction work caused the utilization of construction enterprises' assets to be relatively low, 60-70 percent. The index of utilization for enterprises in the miscellaneous group was slightly higher than for industrial and housing construction enterprises.

The prices for construction services in the analyzed second quarter of 1991 were, as the respondents' answers show, lower than the prices on the general construction market. Only in the case of industrial construction enterprises did their prices exceed the average price.

In spite of the unfavorable order levels, the production capacity utilization and the prices of the units surveyed showed a certain increase in the degree of realization of building orders; on the other hand, the percentage of objects, which were not performing ordered work declined. The main obstacles preventing completion of orders taken were: the financial limitations of the investor (this barrier was mentioned by more than 31 percent of the respondents) and their own financial limitations. A lack of labor also constituted an obstacle, especially among housing construction enterprises. During the period studied, practically no difficulties with building materials or other barriers limiting construction work were reported.

The high degree of work on construction ordered was not, however, a factor contributing to the improvement of the construction enterprises' financial condition. This condition remained very bad; however, it was slightly better than during the first quarter of 1991. The industrial construction enterprises were relatively better off, while the miscellaneous construction enterprises were in the worst condition.

#### **A Prognosis for Business Conditions in the Third Quarter**

The surveyed construction enterprises forecast that their overall economic condition will worsen during the third quarter of 1991. This conclusion stems from the lower levels of the simple qualitative indexes in the second quarter than during the first quarter. Relatively, the housing construction enterprises (-29.8) and industrial enterprises (-22.4) expect worse business conditions. The general prognoses are decidedly more pessimistic than the expectations for the second quarter of 1991 were.

The pessimistic judgment for the next three months is determined by, among other things, the steep decline in construction orders. This breakdown includes, in particular, the demand for services for housing and industrial facilities. There is also the disturbing, very definite decline in demand for miscellaneous construction work in comparison with the past quarter.

As a result of the forecast decline in the amount of demand for construction work during the third quarter of 1991, there will also be a decline in the prices of the surveyed units for construction services in comparison with the average prices on the construction market. This applies especially to housing construction and to miscellaneous work. Only the prices of industrial construction services will remain unchanged.

The difficult business conditions among construction enterprises will not be a factor limiting the rate of wage



growth, which will be highest among the housing construction units (+32.8). The forecast rate of growth for this variable will, however, be lower than in the forecast for the second quarter of 1991.

The expected high rate of wage growth in conjunction with the declining demand and falling prices for construction services must lead to a worsening in the financial condition of Polish construction enterprises during the third quarter of 1991. In particular, respondents in housing (-29.8) and industrial (-25.3) construction expect financial difficulties.

The economic activities of the analyzed units will also face other obstacles. More than 82 percent of the respondents forecast the occurrence of certain barriers among which their own and the investors' financial problems will play the greatest role. The latter type of barrier is reported by 84 percent of the housing construction enterprises. A labor shortage will play a role in the coming quarter, especially among housing construction enterprises. The influence of other factors on economic activity in construction will be insignificant.

The conclusions presented above on selected elements of business conditions in the second quarter of 1991 and the forecasts for the next quarter unambiguously indicate a worsening of the business conditions in the Polish construction industry. A further decline will occur primarily among the industrial and miscellaneous construction enterprises. The estimated indexes for these groups are respectively -20.9 and -20.6. A deep crisis will continue to reign in housing construction (-32.1). This very pessimistic forecast points toward a very negative climate for the third quarter.

The evaluations presented and the expectations of construction enterprises show the lack of any positive resonance among the analyzed units from the ongoing discussion of methods and ways of changing economic policy in the construction industry in Poland.

#### **POLITYKA Weekly News Roundup: 18-24 Aug**

91EP0681A Warsaw *POLITYKA* in Polish No 34,  
24 Aug 91 p 2

[Excerpts]

#### **National News**

[passage omitted]

Industrial production per working day was 18 percent lower in July 1991 than in July 1990. The largest decline occurred in the electro-machine industry and in light industry (respectively 29.1 percent and 24.1 percent). Exports for convertible currency increased in comparison with July 1990 by 16.1 percent; however, imports increased by 89.9 percent. The average wage in the six basic sectors of the economy was 1.8055 million zlotys (with profit sharing) or 4.8 percent higher than in June 1991. [passage omitted]

The press spokesman for the president told the press that the President's Chancellery has saved and transferred 25 billion zlotys to the budget. It saved the money on, among other things, purchases of state awards, furniture, office equipment, and foreign press and publications. Expenditures for presidential trips and repairs to buildings belonging to the Chancellery have been limited.

"Zeran Swells" is the title of a note in *KURIER POLSKI* which says that the Automobile Factory already has 49 directors. Recently, an office in Budapest was added; the factory sent 150 Polonaises there, but only one buyer appeared so the office sent the cars back to Poland.

Confederation for an Independent Poland (KPN) Training is another title from *KURIER POLSKI*. The editors found out that near Krakow the officers of the parachute brigade are training members of the Confederation for an Independent Poland. Asked about this, Leszek Moczulski, the leader, said: "In the 'Rifles' we have instructors who are former officers of this brigade. They are very helpful in mountain climbing and general military training. They also participate in courses in hand-to-hand combat, but here we rather depend on civilian instructors of self-defense. When possible at the training centers, the rifle members receive training with weapons, obviously hunting arms, in agreement with the hunting clubs." Jacek Mroczek, the author of the note, ends it with a rhetorical question: "The organization, Rifles, has about 3,000 members. One would like to ask 'why does the Confederation for an Independent Poland need an armed, trained section?'" [passage omitted]

Primary elections are being held in the Polish Peasant Party (PSL): the candidates for parliamentary places are subject to an initial election at the voivodship conventions. TRYBUNA reports according to "a reliable source" that Waldemar Pawlak, the president of the Polish Peasant Party, received the largest number of votes at the convention and will be a candidate from the Plock-Skierniewice district. Jozef Zych, chairman of the Main Council and the deputy club, also won at his convention and will be a candidate in the Zielona Gora district, and Aleksander Luczak, his deputy in the Main Council and the club, won three conventions and intends to be a candidate in the Ciechanow-Ostroleka-Lomza district.

The presidium of the former committee for the construction of the Monument to Those Who Died in the Service and Defense of People's Poland, the council—both national and Warsaw—of the Veterans of the Left and the Soldiers of the People's Army under the Union of Combatants of the Republic of Poland and former Political Prisoners has published an open letter to protest the decision of the Warsaw City Council to remove the monument. The authors of the letter have announced that the decision to dismantle the monument will be appealed to the Supreme Administrative Court. The letter says: "The destruction of the monument and other works of art not in step with the current authorities, like

the profanation of graves and the burning of books, is a symptom of blindness, hate, and childishness." [passage omitted]

The Szczecin police has taken Slawomir W. (age 18) into custody. He was painting antinational, antichurch, and antisemitic slogans on walls and also the names of musical groups. From March through May, he produced writing which cost 15.5 million zlotys to paint over according to initial calculations.

Two high school students (age 18) amused themselves with shooting at passers-by with shotguns brought from Czechoslovakia. Before the police were able to locate the offenders, they were able to wound 20 individuals. [passage omitted]

### Opinions

[passage omitted]

**Stefan Kisielewski, journalist:**

(Interviewed by Piotr Gabryel, *WPROST* 4 August 1991)

[Gabryel] How will the Polish elite look in 10 or 20 years? And of whom will it consist? People from Solidarity, former communists, or perhaps completely new people—young businessmen?

[Kisielewski] As regards the economic elite, I am certain. It will develop faster than we expect, on the condition that we cease this indigestible anti-*nomenklatura* campaign and cease throwing into one sack everyone who is already rich and wants to be still richer. Unless the people responsible for Poland are interested not in creating a capitalist Poland but in supporting this worker-farmer one. Then I admit they are well on their way.

The future of the political elite, however, arouses concern. In normal conditions it develops on the basis of

parties, but real parties with economic programs and not just a collection of slogans for every occasion. We do not have such parties.

**Marian Jurczyk, chairman of the National Negotiating Commission of NSZZ Solidarity 80:**

(Interviewed by Marek Zagajewski, *SPRAWY I LUDZIE* 5 August 1991)

[Jurczyk] As the National Negotiating Commission, we had to comment publicly because impermissible things are happening in Poland. I see the current situation in Poland as one large private business. Three partitions of Poland were caused by people's private business. They grabbed everything for themselves whatever the cost to the nation. The same thing is happening in Poland now. People have reached power who lack any patriotism. There are among them honest, wise people, but the vast majority of those currently in power, at least those with the greatest voice, are devoid of patriotism. Poland is being sold to all comers, she is being pilfered and carried away. As Solidarity 80, we had to tell Polish society what is really happening in Poland.

**Janusz Onyszkiewicz, deputy minister of national defense:**

(Interviewed by Adam Derewicz and Wiesława Kwiatkowska, *TYGODNIK GDANSKI* 11 August 1991)

[Onyszkiewicz] We are not interested in joining NATO and even less in recreating the Warsaw Pact in any form. We think Poland can exist without such alliances, but on the basis of a political system, which substitutes other things for military guarantees of security. We want to create such a network of economic and political ties on various levels of cooperation which will make the threat of conflict on a larger scale in our part of Europe as slight as it is in the West. That does not mean in the least that we must not have a credible military force. On the contrary, Poland, located between the Soviet Union and Germany, cannot be a defensive vacuum.

**Opportunities for Women in Diplomacy Discussed**

91BA1069A Bucharest FEMEIA in Romanian Aug 91  
p 4

[Interview with Milena Mihaescu, Foreign Ministry press director, by Valeria Filimon; place and date not given: "Women in Diplomacy"]

[Text] [Filimon] Miss Milena Mihaescu, would you mind if I asked you to introduce yourself?

[Mihaescu] On the contrary. I recently turned 29 and that is of special significance not so much for myself as an individual, but as director of the Foreign Ministry Press Directorate, because the new generation has finally won the place it deserves in society and moreover, the generations in Romania are reaching out to one another. I am an economist by training, which is a logical, down-to-earth profession, but at the same time one that requires much imagination and creativity. After graduating I gave it up in favor of journalism. In the end I abandoned—albeit with some difficulty—my second profession for a career in diplomacy. That happened by a fluke, but one that I think was an opportunity. Diplomacy, especially in my domain—that of diplomatic press—demands greater responsibility and the main objective now is to achieve a turnabout in Romania's foreign propaganda.

[Filimon] In your opinion what is the role of Romanian contemporary diplomacy, in view of the fact that the school of Romanian diplomacy has a rich tradition—from Dimitrie Cantemir, Spatarul Milescu, and Mihail Kogalniceanu down to Nicolae Titulescu—and how do you assess the current potential and importance of Romanian diplomacy?

[Mihaescu] More than at any other time, Romanian diplomacy must now play a very important role, because now that Romania has escaped the restraints of totalitarianism, the mission of diplomacy is to establish relations with all the countries with full freedom of decision, naturally in accordance with international norms. After the revolution Romania's image became very controversial. In the beginning we had many friends—many of whom in time turned out to have been interested only in the "phenomenon of the Romanian metamorphosis"—but then some continued to help us while others, in a way, blocked some of our initiatives and aspirations. In fact, Romania's image unfortunately deteriorated, so it is now the mission of Romanian diplomacy to restore it and to assert its real image in the world.

Romania's diplomatic tradition is indeed awesome and we could use a Titulescu or a Kogalniceanu at this time. From this viewpoint, our foreign minister currently bears special responsibilities, more so since he is aware of the fact that we urgently need outstanding personalities in diplomacy, which in fact explains his initiative to blend the two generations—experienced, career diplomats with the new generation—because you never know from where a new Titulescu may emerge.

[Filimon] What share do you attribute to diplomacy in improving Romania's image in the world, considering that this image is rather tarnished, something that pains all of us Romanians?

[Mihaescu] This is the most sensitive point, and the diplomatic press is currently vital, because a country's foreign propaganda plays a decisive role in shaping its image in the world. Each of the neighboring countries offers a model attesting to the fact that they know how to make propaganda abroad, in which they also invest enormous resources. We have experienced diplomats and I think that they are now first of all given a chance to use their professional capabilities. The exceedingly "black" image Romania presented at a certain point may also have been due to our diplomats, who did not know how to react, or reacted only defensively. We should probably go on the offensive in order to be able to change and improve Romania's image in the world.

[Filimon] Does the Press Directorate, whose activities you coordinate, facilitate study visits for Romanian journalists abroad, and does it perhaps assist them in obtaining interviews with personalities in politics, science, and culture, as well as with state leaders?

[Mihaescu] This directorate is also a product of the revolution and its resources are still too small to be able to afford expenses that need to be very high to be efficient. It is true, however, that in order to inform the readers precisely about the phenomena that interest them, the Romanian reporters must familiarize themselves with the realities abroad, because until now they were forced to use only written material and to use articles or reports from the foreign press, which as it is, is quite scarce in our country. I hope that we will receive substantial material aid from the government, so that the Foreign Ministry can offer Romanian reporters opportunities to acquire information abroad. The Ministry's Press Directorate does help, through our diplomatic missions, to mediate contacts between foreign personalities and institutions and Romanian reporters who may be already abroad on study visits or on scholarships from foreign publications, or here in the country. From now on, however, we will be in a position to offer reporters a very "transparent data bank" on how the country's image is reflected in the foreign press and we are expecting them to come and take advantage of everything we know. Unfortunately, for a few years we have been missing a partner for dialogue abroad in the person of a press attache. The fact that we do not yet have press attaches is one of the reasons for the weaknesses of our foreign propaganda. For that reason we are endeavoring to reopen a school to train press diplomats, whose presence is needed at each diplomatic mission.

[Filimon] What kind of women do you see in diplomacy, considering the fact that women never excelled in Romanian diplomacy?

[Mihaescu] Frankly, I never wondered about that. I think that there exist several professions—the arts first of all,

then journalism and diplomacy—that anyone can practice, whatever their training or age, on condition that they possess that spark called talent. Women in diplomacy must be continually concerned with their own education, in all the areas, not only in politics; at the same time they must be feminine, but also firm when it comes to initiatives and decisions, and also in regard to the time they devote to their profession.

[Filimon] As head of the Press Directorate, what thoughts, plans, and wishes do you have for the near and perhaps the more distant future?

[Mihaescu] This directorate has its own specific features compared to others in the Foreign Ministry, because we, the diplomats employed in this directorate, are responsible for the first image created abroad; the essential fact is that we want the propaganda we do for Romania to be realistic, to serve as a tool of opening and “transparency,” and to become a genuine active propaganda. We have nothing to be defensive or apprehensive about, and after so many years of dictatorship we have the right and finally the opportunity to carry out our ideas. In the very near future I plan to organize an international press center, which is something we badly need. This center will take the shape of a kind of “Conversion Center” [preceding two words in English] that will combine press activities with cultural activities, which are very closely related.

[Filimon] Do you have a message for FEMEIA?

[Mihaescu] I have kept up with this magazine since I was a little girl. From an editorial viewpoint it was good and it was appreciated as such in the past, too, when, this being no secret to anyone, we know how difficult it was to write about the real problems of women and of the family. It was precisely because FEMEIA managed to defend women's interests that it has been successful for decades. Of course, now the editors of the magazine bear even greater responsibilities, but I hope that they will be capable of representing the aspirations, interests, and ideals of women and couples with professionalism.

### Postrevolutionary Journalism Under Fire

91BA1069B Bucharest “22” in Romanian 17-24 Aug 91  
p 1

[Article by Magda Carneci: “Journalism Is Not Enough”]

[Text] The short parliamentary recess, which melted into everyone's supposed vacation, seems to have given us an opportunity for a welcome lull. A lull in the virulent political malignancy that has been ailing all of us to varying degrees since December 1989 and that overnight turned us into either the dilettante actors or passive spectators of a gigantic—and real—collective drama concealed under the ubiquitous native colors of tragedy-comedy. A brief summer recess in the irrational passions and partisan blindness that toss us from one extreme to

the other in assessing this incredible spectacle of paradoxes that is posttotalitarian and pre- we don't know what Romania. A short respite in the hatred of the man in the street, who understands nothing but accepts everything. A brief rest especially for our devastating journalism, which thinks it understands everything and explains nothing; armor-plated inside its partisan sufficiency and in its petty one-day power, this all-embracing journalism is the computer portrait of our present and quasi-perennial flaws: haste, blindness, confusion, and worse—exaggerated self-criticism, Balkan sentimentality, moral lability, and even much worse—lack of political culture, lack of historical culture, and lack of long-term culture.

With the exception of three or four credible analysts, what does “postrevolutionary” journalism offer us? Is it natural that journalists produced overnight “by the revolution” should evince the same kind of blind servility toward the current regime as in Ceausescu's time? Is it natural that mere girls who yesterday were no more than technicians or foremen should now admonish the U.S. State Department in official newspapers in terms reminiscent of the proletarian cult of the 1945-50's or of the “patriotism” of the last two decades? Is it a good thing that barkers who did duty for SAPTAMINA and ERA SOCIALISTA now fearlessly and inordinately abuse the country's elite? But then again, shifting to the other side of the barricade, is it natural for reputable journalists to publish any negative report without a minimum of verification, merely because they belong to the opposition? Is it natural that writers-journalists should be concerned with how many suits a minister has or what quality clothing the *nomenklatura* is wearing? Is it good that “decent” journalists should unscrupulously circulate the most incredible hypotheses to do with the Securitate, plots, and even world affairs merely for the sake of success, sales, and scandal? What is left after this daily tide of bad newsprint? Tiny, dangerously tiny bits of truth lost inside a huge, dangerously huge mass of hocus-pocus, improvisation, and words.

At least in summer we should treat ourselves to the right to tear ourselves away from the transitoriness of the quotidian and from the pettiness of immediate interests and remember, at least while we are on vacation, that there exist higher principles governing all the levels of our existence, and thus even journalism, which by definition is subject to “immediate concerns.” We should not be exclusively intent on the chase after what is being said, stolen, or sold, and not even on worrying about the limitations or flaws of the draft law on the audio-visual media, but should also concern ourselves with the written and unwritten moral code of a profession whose real *raison d'être* is not to influence “any old way,” but to shape public opinion beneficially and responsibly. Our journalists were quick to find out that in the West the press constitutes the fourth power in the state, but they did not wait long enough to also discover the legal rigors controlling that power. And until these kinds of rigors begin operating on the press on the banks of the



Dimbovita—which can still accept with equanimity a moral and legal scandal like ROMANIA MARE or EUROPA—our journalists should at least during their vacation keep in mind the banal “ten commandments” of their own profession: A small lie will birth a bigger lie; verbal violence incites to purely physical violence; hypocrisy will never arouse good faith in the readers, not even by a miracle; a half-truth is a crime against the whole truth; snitching is not the same as confessing; sooner or later servility is bound to sire totalitarian monsters; vituperation is not a noble form of partisanship; devastating criticism and pessimism can produce only demoralization and chaos; the confusion of values and criteria is as bad as their absence; lack of education induces only uneducated reactions, an uneducated public, and an immoral and uneducated power, etc.

At least in summer, at least on vacation we should take the time to get away from the shortsightedness of the raw daily cares and from the opaque dross of the immediate, and afford ourselves a more detached and higher understanding and a more comprehensive perspective of the phenomena that steer and sway us. Once in a while we should open the mind's eye of history, the one that looks deep into the past and sees more clearly into the future. The eye for which what is befalling us now is not a simple crude reaction from a present cause to an immediate effect, for which Romania's present drama is not merely the outcome of the past few years or past two decades, but the extremely complex and extremely contradictory product of a centuries-old history, of given indigenous

political, as well as cultural and religious traditions, of irreversible geographical conditions, of external and intangible constraints, and of customs and bad habits....

A spontaneous cult of the president, even if he is a former devoted Marxist-Leninist, in a country that recently shed the imposed cult of the “father of the country”; a ridiculous parliament led by former communist dignitaries, which one century later has been reiterating Maiorescu's law of the “form without substance”; a new *nomenklatura* voraciously acquiring the vices of the recently dethroned one; a government party skillfully relying on abstruse socialist and populist principles; a frail opposition, especially intellectual opposition; a student body that is either silent or emigrating; a workers class that will endure anything while dreaming of the former Ceausescu paradise; a virulent nationalism tolerated by the regime, but which has the approval of the majority; a whole nation yearning with love-hatred to become Westernized, but without wishing to assume the risks or flaws of the West; a whole nation rediscovering its identity....

For all the above and for much more we need fine-tuned tools, complex methodologies, and in-depth analyses for which the magazine “22” continues to keep its pages as widely open as ever. “22” is the main channel through which the Group for Social Dialogue advances its integrating perspectives and steers its shaping mission. For all that, journalism is not enough. Neither is the allowed respite of a summer....

**Ouster of Tudjman Seen as Imminent**

91P20486A

[Editorial Report] Belgrade POLITIKA in Serbo-Croatian of 5 September on page 7 carries an article by Radovan Pavlovic titled "Franjo Against Tudjman." Pavlovic writes that, during the most recent Croatian Assembly meetings, deputies received Croatian President Franjo Tudjman's presentations with increased coolness. This led to vehement polemics in the Assembly's hallways between the Croatian Democratic Community [HDZ] hardline faction and President Tudjman. "Harsh words were addressed to Tudjman for his being too indecisive and moderate toward the Serbs," Pavlovic notes. The Slavonian HDZ faction made such vehement accusations that a putsch almost occurred in the Assembly.

Pavlovic reports that according to information obtained from "confidential political and police circles," Tudjman's greatest enemies at this moment are HDZ extremist faction members Ivan Bobetko and Branimir Glavas, who "count on the aid of [retired] General Janko Bobetko, the father of Ivan Bobetko." Pavlovic describes a scene that occurred at a recent secret meeting of Assembly deputies held at a Zagreb International Fair auditorium. "While Franjo Tudjman was scolding some deputies for excess in their Ustasha methods in the struggle against the Serbs, Branimir Glavas, in camouflage uniform, entered the auditorium with his entourage and was greeted with an ovation." In his presentation, Glavas thanked the deputies for their support, "ignoring the father of the nation."

Citing well-informed sources, Pavlovic states that the ouster of Tudjman is "only a matter of days." Pavlovic writes that Savka Dabcevic-Kucar might take Tudjman's place, but goes on to relate "even more sensational stories that the trap for Tudjman is being set by none other than the new prime minister, Franjo Greguric." According to Pavlovic, Greguric said to his "namesake" at the secret meeting: "Franjo, didn't I tell you to keep quiet on Australia, because if I say what I know about you and your people, you will disappear. You will be swept away as if with a broom."

Discussing the political profile of Franjo Greguric, Pavlovic notes that not much is known about him. He goes on to say that the impression that Greguric is a politician of moderate views is erroneous and that he is, in fact, one of the "most subtle extremists." This is confirmed, Pavlovic says, by his statement at the most recent government meeting, where he said that the Yugoslav People's Army is "an occupying army, and one knows how to deal with an occupier." Pavlovic adds that "it might help to know that until recently Greguric was the director of the Astra enterprise, which became famous as the first and largest illegal importer of Kalashnikovs from Hungary."

The speculations go so far, Pavlovic states, as to predict the possibility of Federal Executive Council President

Ante Markovic replacing Franjo Tudjman with the direct support of Prime Minister Greguric. According to Pavlovic, this possibility is supported by the announcement that Croatian members of the Federal Executive Council and Ante Markovic will place themselves at the disposal of the Croatian government and return home following the expiration of the 90-day moratorium.

According to Pavlovic, Franjo Tudjman has also been losing support abroad, and his closest allies "are working behind his back." Referring once again to well-informed sources, Pavlovic states that Slovene Foreign Affairs Minister Dimitrij Rupel, during his visit to the Soviet Union, vehemently attacked Tudjman's policies declaring that Slovenia does not wish to support the "Ustasha system."

**Croatia Crisis Staff President Interviewed**91BA1109A Zagreb VJESNIK in Serbo-Croatian  
25 Aug 91 p 6

[Interview with Josip Manolic, former Croatian prime minister and chairman of the Crisis Command Center, by Jadranko Sinkovic; place and date not given: "Manolic: It Is Not We Who Are Surrounded, Our Enemies Are Surrounded"]

[Text] We interviewed Josip Manolic, chairman of the Crisis Command Center of the Republic of Croatia, during dramatic moments for the homeland. The blows at the lives and property of Croatia, dealt by the occupying Army and terrorists, whether against the civilian or defensive forces of the republic, attained that extreme point of a crime (both a war crime and a political crime) at which almost all possibilities of political dialogue vanish. Josip Manolic, until recently Croatian prime minister and the closest confidant of Dr. Franjo Tudjman, president of the republic, is one of the most equitable key men of the Supreme Command, one who has cool nerves even for those moments in which it seems that peace could be brought only by an improbable return of reason in the dogmatic Yugoslav and chauvinistic top leadership of Serbia, or, on the other hand, an urgent—and equally improbable—and resolute international intervention. That is why we asked the chairman of the republic Crisis Command Center how he evaluates the capability of Croatian defensive forces at this moment, when it seems that the federal Army has set up a strong encirclement around Croatia ready for an outright strike against its democratic government, the lives of its citizens, and its property.

"I would say that a very dramatic, indeed even panicky, view of the situation in Croatia lies behind your question," Josip Manolic answered. "However, I do not see the situation with that kind of panic."

**Request to the SFRY Presidency**

[Sinkovic] The facts are not panicky, but is not the situation dramatic?

[Manolic] The situation is dramatic, but everything that is happening is only a continuation of processes begun against Croatia long ago. That is why I personally do not sense anything that is worse than it was a year ago nor any worse or different—if you like—than we felt during the election campaign, when those same forces now threatening Croatia were threatening us every day with arrests, and that applied not only to people in the HDZ [Croatian Democratic Community], but in all the pluralistic organizations. So, those same people who stood in the way of democratic changes in Croatia, who disarmed Croatia before the election, and who knew that a democratic Croatian government would not favor a planned economy, dogmatism, and a Yugoarmy. However, over this past year they have not found the strength to assault Croatia and its democratic government. And that is proof of the strength of the Croat people, who have rallied around this government with the greatest determination, ready to offer resistance at every step.

[Sinkovic] But Croatia is surrounded?

[Manolic] I do not see it that way. The terrorists are infiltrating certain areas—Okucane, for example—only with the help of the Federal Army and its tanks. They are infiltrating from Bosnia also with the help of the Yugoarmy, and in Slavonia they could not hold out without help from that same Army, and that is the reason for our request to the SFRY Presidency that it withdraw the Army into garrisons, and we will resolve the problems with the terrorists, using even terrorist means if necessary. It is that possibility of political resolution that I consider proof that Croatia is not encircled, but, on the contrary, I think that they are surrounded both tactically and militarily, in all the areas where they are located in Croatia. They are being encircled ever more tightly by the forces, the will, and the love of freedom of the Croat people. They can enter Okucane, then, but then they are encircled. They are surrounded by the Croat people, which is ready to defend its homes.

What is more, those same forces are also surrounded in the broader space of Yugoslavia. The Muslims are also against the occupation of Bosnia-Herzegovina, the people of the Sandjak is against occupation, and in Kosovo, where terror, murder, and violence have lasted for years now—the resistance will not be expressed in words much longer, but force will be answered with force. That is why the dogmatists and the chauvinistic supporters of Serbian expansionism are surrounded. Democratic Croatia is not in that position.

#### **The Crisis Command Center Is Not an Entity Outside the Constitution**

[Sinkovic] What is today the role and also the constitutional position of the republic Crisis Command Center, which you head?

[Manolic] The Supreme Command of the Republic of Croatia set up the Crisis Command Center to defend the republic on the basis of an analysis of the way the situation has developed up to now and the increasingly

obvious aggression by the terrorists, by Serbia, and by the Yugoslav Army against the Republic of Croatia. Analysis has shown a number of weaknesses in our defense system which have to be corrected. First of all, there is the problem of coordination and synchronization of the entire defensive potential, which must be taken advantage of if we want the defense to be effective. Realizing the shortcomings in a number of actions conducted so far, we considered it necessary to establish the Crisis Command Center that would work on this problem. On the other hand, we also were thinking of relieving the government of this everyday job, making it possible for it to concern itself with the examination and solution of some of the long-range problems, especially the problem of getting out of economic difficulties, especially when we solve the global Yugoslav crisis. In establishing the Crisis Command Center, we have regrouped our forces into the sector of the defense system as a whole.

[Sinkovic] The Crisis Command Center, then, is solely for the war-related situation?

[Manolic] Precisely so. We wanted to separate it from the government in the short term imposed by the state of the war in Croatia. On the basis of a detailed analysis, we came to the conclusion that we should form the Crisis Command Center, not in order to disenfranchise all the regular constitutional institutions and segments of the government, but, on the contrary, to unify and coordinate the work of all government bodies and legal constitutional institutions in defense of the country. That is why the argument that the Crisis Command Center lies outside the Constitution is not valid. Under the Constitution of the Republic of Croatia, it is within the power of the president of the republic, as commander in chief, to create all those auxiliary bodies which may at a certain moment contribute to defense of the Republic of Croatia. Thus, the Crisis Command Center is an operational entity responsible for assisting and coordinating all defense efforts, for finding and arousing all potential forces which up to now have been asleep, for mobilizing them and directing them into defense of the country.

[Sinkovic] What are the main elements of that analysis which showed the shortcomings of defense preparation and was the basis for forming the Crisis Command Center?

[Manolic] Viewing as a whole the processes which have developed in the last year, we determined essential factors in the development of the situation over that period. Those who reproach us for a certain slowness and inappropriate reactions to the particular eruptive positions and situations forget that this process began with the so-called Knin rebellion slightly more than a year ago and that aggression has developed in several stages since that time.

In the first phase, we were able to react to the Knin rebellion only with police forces, and they were not adequately prepared for that action either from the

moral and political standpoint or from the standpoint of armament and overall potential for a conflict with armed terrorist groups located in the immediate area of Knin. However, even in our first reaction of admonishment, we came up against the view of the Army and the well-known ban on reconnaissance of our helicopters, including the threat that Army planes would bring down our helicopters if we marched to Knin. A further expansion of the aggression against Croatia occurred this January, when the Army went on the offensive, whose scenario called for charging General Speljelj and others for purchasing arms abroad and preparing for armed combat against the terrorists. That was the second phase, and in that phase we judged that, yes, we had purchased some arms, that we had armed ourselves, and that we could enter into a more decisive action against the terrorists, but that we were still not ready to enter a total confrontation with the JNA [Yugoslav People's Army]. At that point, everyone knows of the compromises which we made at that time in order to avoid a direct collision with the JNA. In that phase, we had to begin to restructure our forces. It was clear to us that relations with the JNA would become more and more strained and that there would be an ever greater danger of direct confrontation, in which it was not enough for us to have just our police forces. Then we undertook to establish the National Guard Corps, and in arming it we have had a very painful and difficult time purchasing arms abroad, because the armament of our territorial defense was taken away even before we took power. But in spite of everything, we have done the maximum in both organization and in armament in this second phase of building the defense system, so that we have prepared ourselves overnight for conflict, which, as you see, is today an obstacle to realization of the full sovereignty of the Republic of Croatia.

### The Beginning of a Dirty War

The third phase in the development of aggression against the Republic of Croatia begins with the well-known attack on Borovo Selo. The aggression of the Republic of Serbia and its armed forces is markedly present in that phase, which is being done above all with armed forces illegally trained and illegally infiltrated into the territory of the Republic of Croatia in order to carry out the well-known massacre in Borovo Selo. That attack on Borovo Selo marks the openly active role of the Republic of Serbia in the undeclared, but at the same time horribly dirty war against Croatia. The war has been disguised with the argument that the Serbian people in Croatia is rebelling against Croatian authority, against the constitutional system of the Republic of Croatia. But the subsequent development of the situation has been confirming more and more Serbia's active involvement, which has culminated over the last two months, when reservists in Serbia were mobilized after having been trained by the JNA and transported with the vehicles of the JNA, carrying the credentials and wearing the uniforms of the JNA, onto the territory of Croatia in the vicinity of Osijek, Beli Manastir, Borovo Selo, Vinkovci,

and many other towns. It is clear that that role of the JNA, this dirty role that it has in mobilizing reservists in Serbia and Bosnia-Herzegovina in order to bring down the government in Croatia, has to be exposed to our public, to the public of Serbia, and to the entire international public.

This has been and still is a dirty disguised war against Croatia, because the ringleaders obviously have neither the moral nor the political force to say to the international public and their own people that they are waging war against Croatia and its newly established democratic government.

In that situation, in which war has recently taken on all the characteristics and dimensions of the aggression of one state and one army against the still inadequately armed Croatian people and the democratically elected bodies of the Croatian government, we went a step further in mobilizing all of our resources so as to be able to defend ourselves against the hegemonistic aggression of the Serbian expansionists, assisted by the active role of the Yugoslav Army.

[Sinkovic] What has the Crisis Command Center managed to do so far?

[Manolic] I feel that so far the Crisis Command Center has achieved very significant results. In one month, our immense potential forces have made themselves felt, forces which up to now have been rather idle and insufficiently coordinated in the direction of defending the country. I am referring to all segments of society which under wartime conditions should make certain efforts and indeed sacrifices in order to achieve the goal that has been set—defending the sovereignty of the Republic of Croatia. I think that the Crisis Command Center has in this month achieved significant results precisely concerning this program of mobilizing all the potential forces and all resources. In a month, we have achieved a significant production for war, which at this moment can make an exceptional contribution to effective military confrontation of the enemy.

### A New Approach to Defense Strategy

[Sinkovic] It is not just a question of military armored vehicles?

[Manolic] No, that is even a side issue because of their limited purpose and value in armed skirmishes. I am referring to more important weapons which every infantryman, every citizen, can use to successfully defend his house, every village, and every town.

Second, in a short period of time we have involved tens of thousands of people in vigorous action to defend the country whereas up to now they have been aloof. And this ranges from scientific institutions, which constitute a great potential force under wartime conditions and in the wartime efforts of any nation, to physicians and experts in various specialties within our enterprises.



They have all quickly organized themselves and harnessed their knowledge and experience with great enthusiasm to perform the most complicated missions, so that in a short time we have mastered the manufacturing technology for products which in peacetime would take months, if not years. In a few days, the technology was mastered for many models of weapons which would have taken months in peacetime. I think that the Crisis Command Center had a decisive role in those results. Decisive in the sense that a more organized approach was taken to a problem which up to now was approached sporadically and rather anarchically. We thus cleared the way to a new approach to the strategy of our defense as a whole. To be sure, in spite of all the barriers, we are managing to purchase some weapons abroad so as to replenish the arsenals of our armament, especially those weapons which we are unable to produce at this moment.

What is more, there is another factor in the activity of the Crisis Command Center that should not be underestimated. In psychological terms, when the Crisis Command Center came into being the entire people, every citizen, felt that the moment had come to become actively involved in the country's defense system. And when we speak about those tens of thousands of people who are mobilizing around command centers today, from the republic to the regional level, to command centers in opstinas and local communities, I think that this is an immense psychological gain—every person has felt that he is important in the systematic efforts to defend the country. However, aside from the good points, weaknesses have also become evident.

[Sinkovic] The regional and local crisis command centers are subordinate to you?

[Manolic] Of course. There is direct subordination. However, two things have become evident in this brief operation of the crisis command centers. First and foremost, they are not sufficiently implanted in the present system of government. This means that in many places those command centers have not managed to include the most responsible people, beginning with the president of the opstina and the chairman of the executive council, those who are otherwise responsible for the entire policy in their jurisdiction. That is why we will now implement this principle from top to bottom. That is, the separation of the government from the Crisis Command Center has also shown its weak side, so that the government as a whole will be included in the defense system, just as individuals responsible for important segments of defense will be included in the Crisis Command Center, so that in this respect we would achieve full coordination and unity of the entire system of defense.

#### **Mobilization of All the Potential**

[Sinkovic] Is there not a certain overlap with the Defense Ministry?

[Manolic] Yes, there is, and that was one of the reasons why we are now aiming at a Crisis Command Center that

would unify all efforts with respect to mobilization, coordination, and also with respect to command of all armed formations, wherever they may exist today on the territory of the Republic of Croatia. In this one month, the Crisis Command Center has not been able to achieve full coordination and subordination in all those segments. Along with transferring functions to the government as a whole, then, we will undertake to achieve a single command of all armed forces that exist on the territory of Yugoslavia, i.e., to establish a separate main headquarters to direct all the armed forces. The organization is the responsibility of the Defense Ministry, but the issuing of orders lies in the hands of the president of the republic as the commander in chief of the armed forces of Croatia.

At this point, the question of production for war, the restructuring of the entire economy for the needs of war, will certainly bring to a halt for the moment the solution of problems of economic development and the reform as a whole.

[Sinkovic] Does this mean that now the republic Crisis Command Center is the command center of the armed forces?

[Manolic] At present, it is true that the Crisis Command Center is the command center for the armed forces, bringing together both the Defense Ministry and the Ministry of Internal Affairs, and accordingly it operates the same way with respect to full subordination.

[Sinkovic] At this point, how do you assess the quality of Croatia's new defense strategy and in general Croatia's ability to successfully resist the fiercest frontal attack of the JNA?

[Manolic] I would not refer to everything we have done or are doing as a change in strategy. Our strategic objective since establishment of democratic power has been and remains achievement of the sovereignty of the Republic of Croatia and its defense. There has been no change in that regard. It is only a question of tactics—how to achieve that main objective at a particular moment and in a particular phase. In this phase, when we face an immediate confrontation with all those who want to tear down the sovereignty of our republic, I think that our tactics are changing insofar as we must mobilize all potential, unify it, and place it under one command and direction from a single point, and in that way make our entire defense of the strategic goal more effective.

#### **Officers Are Leaving the JNA**

[Sinkovic] When will we start to bring down the first airplanes of the aggressor?

[Manolic] I think the day is not far off when we will bring down the first airplanes of the aggressor. After all, the terror which they are now wielding exceeds the bounds of patience of all those who must put up with that terror. We have gone to extreme lengths in our attempt to avoid a direct confrontation with the Army. Especially because

the top Army leadership has made statements that it does not want to bring down the democratic government in Croatia.

[Sinkovic] Is it true that many officers of the JNA, even high-ranking ones, are leaving the JNA and coming to the defense of the freedom of the people and civilized modern political principles?

[Manolic] One of the reasons for our temporizing and avoiding a total conflict with the Yugoarmy was to give time to the democratic forces and liberal officers who are not in favor of war against their own people to turn against the dogmatic forces within the Army.

[Sinkovic] How many such officers have already joined the National Guard Corps?

[Manolic] A great number of those officers have already left the ranks of the JNA, and there will be more of them if there is a direct confrontation. The brief war with Slovenia showed how rotten the Army is from within. We are not harboring illusions, we know that the Army has great destructive power. However, that violence which they can wield against a people with airplanes, long-range cannons, and missiles will ultimately mean a terrible end for them themselves.

[Sinkovic] Do you anticipate attacks on major cities in Croatia, for example, Zagreb, Split, and Zadar?

[Manolic] In a total confrontation, we must count on that. We must assume defense of those cities, indeed maximum defense in view of the means we have at our disposal. Of course, among those capabilities we are also counting on support of the international public, which, I am convinced, will in this moment of crisis raise its voice against aggression and place itself on the side of those who are threatened. The contribution of the international public will be important in defense of democracy in Croatia. But that is important even today, in preventing the worst—a direct confrontation with the Federal Army.

### Retired Admiral Critical of Army Leadership

91BA1113A Ljubljana NEODVISNI DNEVNIK  
in Slovene 2 Sep 91 p 4

["Excerpts" from NOVI LIST interview with retired Admiral Sveto Letica by S. Obradovic; place and date not given: "Stars With Complexes"]

[Text] Admiral Sveto Letica is one of the descendants of the old piedmont nautical tradition. After his retirement a few years ago he returned to Split from the general staff in Belgrade, but remained on the scene primarily as a critic of conservative army circles. We are publishing a few of the most interesting excerpts from an interview with Admiral Letica in Rijeka's NOVI LIST.

[Obradovic] In your opinion, what is the basis for the process of the Yugoslav Army's collapse and its placing itself under the wing of the Greater-Serbian hegemonistic and aggressive policy?

[Letica] There is no doubt that the military leadership is closely associated with Slobodan Milosevic's policy, and that it supports that policy. We can only talk about the former JLA [Yugoslav People's Army], which is no longer a Yugoslav one, since there really is no Yugoslavia anymore, and an army which turns its weapons against its own population is no longer a people's army.

The Army has obviously become pro-Serbian, and this under the patronage of Milosevic's policy. The present Army leadership was installed during the time of Admiral Branko Mamula, and consists primarily of generals who were prepared, for the sake of careerism, to support all of his ideas and positions, which otherwise, to be sure, would not have met even very low military standards.

### Strange Paths to the Stars

Kadijevic and Adzic also reached their present positions in spite of the conditions prescribed by the law on service in the JLA, since the defense minister and the chief of staff cannot be people who have not previously been in the position of commander of a military district.

Kadijevic and his group (although it can hardly be called that because of the disorganization prevailing there) only took over the untouchable position above the State Presidency and the Federal Executive Council that Mamula had prepared for himself.

Even though the situation in the world in Mamula's time was calming down, Mamula constantly produced reports on the unfavorable international environment and the danger of aggression, by which he wanted to justify the extremely high and absurd expenditures for the Army.

Those reports were such that from time to time certain Western ministers asked who it was that was threatening Yugoslavia, and the foreign minister had to explain that it was just not meant like that.

The irrational atmosphere in the military leadership is beautifully illustrated by the example of the plans from the manufacture of a new supersonic aircraft, which was likewise Mamula's idea and at that time would have cost the state \$6 billion. Under the slogan of renewing military capacity, this would have actually rescued the enormous and expensive defense industry, which employed about 10,000 people in the aircraft industry alone.

At that time, I was the only one in the general staff who opposed that idea, and later it turned out that I was right. Through the selection of his successors, Mamula tried to ensure that he retained his influence in the strategy and organization of the Army, its size, and its purpose. In any case, the Army's old social position and structure were necessary in order to cover up many worse errors and

losses in the Army, far bigger than Obrovac and similar mistaken investments by our misguided economy.

#### **Painfully Afflicted**

[Obradovic] Some people would like to see certain differences within the military leadership, for example, between Kadijevic's approach and Adzic's. Is that true?

[Letica] Those are illusions. I think that there are no fundamental differences between them, and that they are essentially advocating the same approach. I do not understand why Tudjman and Mesic naively believed that Kadijevic would not attack Croatia (since what is happening here is essentially an attack), and that the Army would be impartial.

Look, Milosevic and his henchmen have already said so many times before that they would achieve their goals with the help of the Army, and that they would change the borders; and Kadijevic and others in the military leadership have not disassociated themselves from such statements.

Kadijevic, in view of his position, is objectively the top man in the Army, not Adzic, and there is no doubt that he could have prevented the Army's obvious alliance with the Cetniks.

Adzic is a complex person, who bitterly hates everything Croatian and throws everything into the Ustasa-fascist basket. It is not important to him at all how many dead Croats there will be. On the other hand, his military professional qualities are barely sufficient to head some sort of farm or forestry operation, but not for heading the general staff.

As his representative, he has appointed Colonel Milan Gvero, who was proposed for promotion to major general in 1985 or 1986, but the military body making the decision on this denied the promotion because of Gvero's known Cetnik background. Obviously, the Cetniks are close to Adzic's heart, and he could soon choose even more Yugoslav generals from among them.

[Obradovic] What about Admiral Brovet?

[Letica] Brovet spent his entire military service in foreign military representations and in the KOS [counter-intelligence service] and intelligence service. He has never commanded any unit or warship, but has nevertheless achieved the rank of three-star admiral. It is a classic example of careerism. He would do anything for his career, and would even sacrifice Slovenes.

#### **Croatia Will Be Defended by Ordinary Croats**

[Obradovic] It seems that it is in the area of defense that the new Croatian authorities have made the most mistakes....

[Letica] The military leadership disarmed Croatia's territorial defense forces and confiscated the equipment in which Croatia had invested. That is why our defense has

been in a difficult position. The new authorities made a big mistake, however, because they organizationally destroyed the territorial defense system, because the HDZ [Croatian Democratic Community] thought that it represented remnants of the old system. In spite of seeing clear signs of what the Serbs intended, Croatia made new mistakes. Part of the leadership thought that only selected Croats were needed to defend the homeland, and that all the rest were second-rate Croats, not to say suspect. They are paying for that now. Only Croatia's citizens, who are ordinary Croats, can and want to defend it, and they are most numerous. The "great" Croats and their frenzied nationalism and chauvinism will do more harm than good.

[Obradovic] The state is facing economic and financial collapse, and even in peacetime and in a healthy economy, the Army is a big burden. Where is it getting the money?

[Letica] It is true; for three months now the Army has been at full combat alert, and actually at war for a month and a half. It is not possible to pay for that without the additional printing of money and the use of foreign exchange reserves.

[Obradovic] Is this action perhaps being financed by some foreign powers as well?

[Letica] I really do not have reliable information on that. It is known, however, that the Soviet Union owes us \$3 billion, and I am not ruling out the possibility that part of the debt is being repaid by supplementing the Yugoslav Army's armament and equipment, and by direct financial injections.

#### **Problems With Multiple Exchange Rates**

91BA1088B Belgrade BORBA in Serbo-Croatian  
29 Aug 91 p 12

[Report on interview with Dusan Vlatkovic, governor of the National Bank of Yugoslavia, by TANJUG editor Milos Petkovic; place and date not given: "National Bank of Yugoslavia Governor Dusan Vlatkovic on Foreign Exchange, Monetary Policy: Republican Prescriptions to General Detriment"—first paragraph is BORBA introduction]

[Text] Multiple exchange rates are causing significant disturbances in the functioning of macroeconomic policy. Because of local foreign-exchange markets, the central monetary authority is forced to be more cautious in managing foreign-exchange reserves, which still ensure foreign solvency. The unequal position of old and new depositors.

"The discrepancy between the inflow and outflow of foreign exchange, or rather the supply and demand of convertible currency, is continuing. This is the result of adverse trends in the balance of payments, which was projected for circumstances different from the current ones. Political turmoil also plays a role in all of this. It



has resulted in a discontinuation of intervention by the National Bank of Yugoslavia (NBY) in a unified foreign-exchange market," declared Governor Dusan Vlatkovic in an interview with TANJUG editor Milos Petkovic.

Dusan Vlatkovic warns, "After Slovenia's and Croatia's declarations of sovereignty on the foreign-exchange market, based on the official exchange rate, all that was provided for was convertible currency for the repayment of fixed and guaranteed obligations backed up the Federation and the National Bank of Yugoslavia. A short time later, the list of priorities came to include foreign exchange for the import of raw materials essential to the pharmaceutical industry, ready-to-use medicines, and medical materials. Because of the discrepancy between the supply of and demand for convertible currency, the result, especially at the beginning of summer, was the establishment of local markets in which multiple exchange rates were created. This is especially typical of the economy. In this way, foreign exchange became 35 to 40 percent more expensive than at the official rate. Moreover, this phenomenon had been encountered back in the first months of 1991, particularly in Slovenia, where a republican foreign-exchange market was organized. Practically speaking, it has been institutionalized there. Basically, trade in foreign-exchange rights has begun."

#### Dual Rate—Uniform Problems

Because of revenues, profits, or other reasons, representatives of enterprises from other parts of the country have shown interest in selling convertible currency to business banks in Slovenia at a higher price. The result of this is an increased flow of foreign currency to that republic. Croatia, and recently Serbia and the other republics, have reacted to this by adopting similar prescriptions, where the goal in every instance has been to keep foreign exchange from crossing their borders.

In any event, a dual exchange rate is not a good solution, because it causes significant disturbances in the functioning of macroeconomic policy. Disparate activity by the exchange rate in all transactions creates an imbalance in monetary currents. This means that something should be done as soon as possible to prevent the current irregularities and to find a more adequate way to avoid negative implications—inflation and the like.

The second way of deviating from the official exchange rate is the phenomenon of buying up foreign exchange from the citizenry. The national banks of some republics have even provided instructions on how this should be done. The equivalent value of the dinar is provided by the potential buyers of the foreign exchange, emphasizes the governor of the NBY. These buyers are primarily enterprises, private and mixed firms.

Needless to say, under these conditions the purchase of foreign exchange from the population means that it, or at least part of it, is not transferred from business banks to

the NBY. Because of this, the central monetary authorities are forced to be even more circumspect and cautious in managing the available reserves. At present, these reserves amount to approximately \$4.5 billion, which ensures foreign solvency.

Nevertheless, a more uniform and intensive inflow of convertible currency is necessary in order for the foreign-exchange market to get going again. Under present-day circumstances, it is unrealistic to count on a greater inflow of convertible currency, meaning that it will be necessary to wait for a normalization of practices on the foreign-exchange market, Vlatkovic says.

#### Honest Initiative

The formation of a multiple and dual exchange rate is reflected even today in clear-cut shortcomings, and the instability and variability of the rate for all transactions is the fundamental characteristic of this. Side-by-side with this is the differentiation of the rate for individual settlements. Perhaps in the present-day situation, everyone is trying from his own corner to come up with a corresponding calculation and ensure some sort of income, but in any event a higher one. This is achieved by preventing an even faster decline in industrial and overall production, by sustaining or increasing exports, and through better coordination of supply and demand on the domestic market, to say nothing of fewer disruptions in the already observed imbalance in the balance of payments, the governor of the NBY notes.

It is not easy to ignore the fact that a greater differentiation is being created between old and new foreign-exchange depositors or, to put it more simply, citizens who have foreign currency at their disposal right now. Because of the disparate and unequal position of old and new depositors, the National Bank of Yugoslavia has launched an initiative to find a more equitable solution, by way of the FEC [Federal Executive Council]. Taking into account that the problem of servicing the public debt on the basis of previously deposited foreign-exchange savings has remained open, it is essential that this question be considered (by the FEC, the NBY, and the republics). This would eliminate the differentiation in the area of the foreign-exchange system. There is no question that corresponding preconditions are necessary in order to renormalize the functioning of the foreign-exchange market. But this is no easy task until the joint functions during the moratorium and the future of the country are defined.

#### [Box, p 12]

#### Slovenia Eases Off—Croatia Is Silent

The NBY has shown a willingness to once again include Slovenia and Croatia in the regular activities of the national banks of those republics and to allow their participation in prime issue—as soon as they behave as provided for by law. In the meantime, talks have been completed with representatives of these institutions. Thus far, what has been achieved is an announcement by



the Slovene government that it is revoking certain acts that led to that republic being denied access to the use of prime issue, as soon as the Governor's Council of the NBY sets aside its earlier decision: thus, once the measures restricting prime issue for banks in Slovenia are rescinded, which should happen at the next session. Thus far, the Croatian government has not reached corresponding decisions, on the basis of which the Governor's Council could annul its original resolution.

[Box, p 12]

#### **Detrimental Financing of Consumption**

In keeping with previous warnings, it is becoming evident that monetary-credit policy is burdened by unresolved budgetary and fiscal problems. First of all, with respect to the budget the servicing of the public debt has yet to be resolved, which is essential to the citizens' deposits of foreign-exchange savings.

The most difficult thing, Vlatkovic adds, is that even stronger pressures on monetary policy are expected by the end of the year, as well as significantly greater demands than those present today, while at the same time the question will arise of to what extent prime issue can be committed for this purpose without serious consequences.

Some calculations indicate that no more than 50 percent of the planned monetary scope by the end of September can be or should be reserved for these purposes, i.e., financing consumption, and this means in the last quarter as well. If this limit is exceeded, this will threaten the financing of reproduction, which is also confirmed by the current quarter, in which the allocation of funds for the Federal budget and for credits to business banks to offset the drop in foreign-exchange deposits is dominant.

The conclusion would be that the frameworks of monetary-credit policy should not be disturbed for this quarter either, says Vlatkovic.

#### **Serbian Official on Disruption of Trade Payments**

91BA1088A Belgrade POLITIKA in Serbo-Croatian  
29 Aug 91 p 13

[Interview with Dragoslav Jovanovic, head of Public Accounting Service of Serbia, by Rodoljub Geric; place and date not given: "How Trade Payments in Yugoslavia Fell Apart: Money From Empty Accounts for Serbian Goods"—first paragraph is POLITIKA introduction]

[Text] Trade payments are being used as an instrument for settling ideological and wartime scores, says Dragoslav Jovanovic, general director of the SDK [Public Accounting Service] of Serbia. The SDK of Slovenia opened letters of credit in Serbia even though they were not backed by money.

Until recently, Yugoslavia was actually able to pride itself only on its system for trade payments, which it

managed to create after plenty of effort as well as investment. In Italy, for example, money for payments travels around an average of seven days. In our country, all efforts were made to see to it that this time period not exceed 24 hours. In this regard, we have stood shoulder-to-shoulder with the most highly developed countries, and in many cases even ahead of them. These days, however, one must unfortunately note that little more than dust and ashes remains of this almost ideal system. The country's circulatory system for financing has been most seriously afflicted by—politics.

"The former unified system for trade payments is in ruins, not as a system, but rather as a subjective decision by the organizers of that trade in certain parts of the country where trade payments have been used as an instrument for settling ideological and wartime scores," says the general director of the SDK of Serbia, Dragoslav Jovanovic.

#### **Slovene Strategy**

When he says, "in some parts of the country," there is no mystery whatsoever about the fact that he means Slovenia and Croatia. Moreover, trade payments are functioning on a completely solid basis not only within Serbia, but also between it and Bosnia-Herzegovina, Montenegro, and Macedonia, while the problems that are emerging are not the result of any sort of political capriciousness, but rather are the result of the heavy burden of insolvency which, one might say, is weighing down on everyone equally. Explaining what is actually happening, however, the director of the SDK of Serbia points out the differences in the conduct of the Slovene and Croatian authorities.

"The Slovene strategy of leaving Yugoslavia had an inherently financial goal: to maximize all the economic advantages that Slovenia enjoyed up to that point, to destroy all relations that were not of direct economic use to Slovenia, to sell to Serbia everything that can be sold, to preserve all business relations through which a commission can be charged and to effect significant differences in prices, to suspend all investment and buy only those goods from Serbia that can be resold abroad or, in rare cases, those that they could not do without. In addition, we discovered that payments for these purchases were made on the basis of an illegal issue, meaning on the basis of empty accounts," says Dragoslav Jovanovic.

[Geric] Can you explain how this is paid from empty accounts?

[Jovanovic] What this involves is the opening of letters of credit for the payment of goods in Serbia. Not only were these letters of credit not backed up by real money in accounts in Slovenia; they were in fact overdrawn. Thus, what we were seeing was purchases with nonexistent money, a black issue that naturally destroyed the dinar.

[Geric] Who opened these letters of credit?

[Jovanovic] The letter of credit would be opened by the Public Accounting Service of Slovenia. Since there was no backing for it, the buyer acquired the goods practically for free, so that obviously he could, say, export them at very low prices, thus also ruining exports by authentic producers from Serbia. Admittedly, the sellers of these goods would have received money for them in the long run, but at the expense of major degradation to the dinar.

Moreover, this is clearly one of the answers to the question of why inflation here has continually reasserted itself even when it should not have, based on other criteria.

[Geric] That was the Slovene strategy. What was the Croatian one?

[Jovanovic] Disruptions began here when that republic, like Slovenia, suspended payment of its obligations to the Federation while the other republics were continuing to make those payments, and naturally during the period of the onset of the brutal economic and financial blockade of enterprises from the SAO [Serbian Autonomous Region of] Krajina. Federal institutions, their authority tottering, were unable to protect firms from Krajina when there was not yet a state of war.

Concretely speaking, accounts were closed for enterprises in this republic, where undisciplined Serbs worked, meaning those in Knin, Dvor na Uni, Obrovac, Benkovac, and other places, and transferred to subsidiaries in Split, Karlovac, and elsewhere.

[Geric] This was supposed to enable the Croatian authorities, through their subsidiaries, to decide on the allocation of financial resources that are the property of the Serb population?

[Jovanovic] In the beginning, we thought that what we were seeing was a predicament in which units of the SDK found themselves as a result of pressure from the new Croatian authorities. Later, however, we saw that this was only the beginning of the creation of a system of complete financial blockading. All that was left for people in Serbian regions was money in circulation or somewhat symbolically in small safe-deposit boxes of undeveloped border opstinas. Since deliveries of cash were generally not made to them, the people working in these regions could not even receive the wages that they had earned. The payments that were supposed to be made into accounts there at the will of the authorities in the SDK of Croatia were made selectively, or they did not even make it into the account.

#### **Serbian Money for Croatian Weapons**

[Geric] How is it possible for money not to make it to where it belongs?

[Jovanovic] If the account from Benkovac, for example, is transferred to Split, then payments coming in from whomever ended up in Split, not in Benkovac. All that

was needed was for someone in Split to decide that the money should go to the other side, and it would do just that. Naturally, what we are talking about here is uncivil, unprofessional conduct by the official institutions, which prevented the money from circulating normally and from falling into the hands of its owners.

[Geric] Is it possible to conclude from what you have said that the Croatian arms buildup was paid for with Serbian money?

[Jovanovic] Of course! Nevertheless, the culmination comes with the announcement of the suspension of Serbia's economic relations with Croatia. Now, the funds earmarked for the payment of specific obligations towards enterprises in Serbia are being redirected into provisional SDK accounts by correcting the figures in transfer accounts by hand, from where they can in turn be redirected to business banks, the budget, and so on, based on subjective appraisals. I hope that at least some evidence of this is being preserved in Croatia, so that if peace is ever achieved, there will in any event be some sort of trail through which the obligations can be paid, even if they are late.

[Geric] Are trade payments with Slovenia and Croatia completely dead because of this?

[Jovanovic] Not all payments are dead. Wherever there is a long-term and mutual business interest, in cases where intermediate goods, spare parts, and energy are being supplied on a long-term basis, the money is still going to its actual destination. Thus, there are still payments, but they are on a very low level.

[Geric] We see what Slovenia and Croatia have done in their own interest. What is Serbia doing to protect itself from this?

[Jovanovic] In order to save the enterprises in Krajina, we have opened accounts for them and in this way created the necessary preconditions for their having disposal over their own money. We have made it possible for those people to receive payments if they have already earned them, and for civilized life to go on at least to a minimum extent. Moreover, we all know that even when there is a war going on, there must be production, sales, and payments.

Aside from this, the SDK of Serbia is trying by means of suggestion to influence enterprises in their dealings with Croatia and Slovenia to establish a certain balance with regard to payments. Indeed, in payments to Slovenia, this balance has been largely established, but not in relations with Croatia. That republic, among other things, has suspended the transfer of money by means of telecommunication (as the most modern and fastest means of payment), which neither Slovenia nor Serbia have done.

However, since Slovenia continues to show interest in the Serbian market as an area where it will freely be able to sell its goods, it is necessary now, in my opinion, to

establish a system of lists of goods through which a complete economic balance might be established.

As far as Croatia is concerned, until there are changes in the leadership of that republic and the initiative of enterprises is not freed from political restraints, it is likely that the SDK of Serbia as well will be forced to apply certain protective measures in order to defend our own national interests.

### **Slovene Official on Privatization Model**

*91BA1062A Ljubljana MLADINA in Slovene pp 34-35*

[Interview with Igor Umek, Slovene minister of privatization and planning, by Matija Grah; place and date not given: "Between Mencinger and Sachs"—first paragraph is MLADINA introduction]

[Text] From now on, Igor Umek will be the minister of privatization, and only secondarily of planning as well. In the next few months, his name will be among those most often mentioned, but his fate will be uncertain: Most of the East European privatization ministers have been fired and only a select few have been allowed to resign: His East German counterpart was simply killed.

[Grah] For the last three months, when you were preparing the law, we heard repeated statements from representatives of the government that the new law on privatization would be a combination of Sachs's proposal and Mencinger's model. Where in the law do we find Mencinger, and where do we find Sachs?

[Umek] We can find Mencinger in the section on small and medium enterprises, with the difference that the law no longer includes additional capitalization or assessment as some broader social action that would occur in a whole series of enterprises. For the large enterprises, Sachs's basic concept, which is based on distribution, has been used.

[Grah] What kind of distribution is that?

[Umek] In the final analysis, it is the distribution of property and shares to the population. When you accept the idea of distribution, then, of course, you immediately ask yourself what part of the economy is to be divided up. If you look at Mencinger's model, you will notice that for the large enterprises he foresaw the state as a dumping-place for them, i.e., he did not find an appropriate solution for large enterprises; and if the distribution of shares to citizens is to be an equally valid concept, the question that arises is what the citizens are supposed to have. The best solution is for the shares to be obtained by investment funds, and for the funds to be the shareholders of all or most large enterprises. In fact, the large enterprises cannot be privatized differently. The investment funds consequently manage the enterprises on behalf of the owners. Today this is an everyday picture of the economy in the West, where there is an enormous number of institutional owners, so that individual owners do not even buy many shares in enterprises.

[Grah] The consequence of such a concept of distributing social property will be the immediate nationalization of a substantial part of the social property. This nationalization will occur at the moment when the shares in the large enterprises are transferred to the development fund....

[Umek] Nationalization of the enterprises is only an intermediate step, and furthermore it is not real nationalization. The boards of directors are named by a special council in which government representatives are in a minority. In the next phase, the shares in the enterprises are transferred to different funds. The funds are to be established on the basis of an announcement in response to which institutions capable of managing stock portfolios could bid. I feel that these can be existing banks, savings banks, etc. In the final analysis, therefore, this is not nationalization, and in a way the funds will be private companies that will be independent and will not have anything to do with the government.

[Grah] The extent of nationalization, however, is incomparably greater than in Mencinger's model!

[Umek] It concerns about 150 enterprises, in addition to which one should also add holding companies. I maintain that something very similar would also have happened with Mencinger's model, although we never made any such calculations for that one. The big difference is that in Mencinger's model nationalization was the result, but here it is only an intermediate phase, which should moreover be as short as possible. Furthermore, I am not convinced that boards of directors would actually be necessary everywhere during the intermediate period until the funds are formed. Monitoring the enterprises' performance during the intermediate period will quickly tell us where intervention is needed and where it is not. Otherwise, it is my interest and the interest of all of us who participated in drafting the law to have enterprises transferred from the central fund, the development fund, to the investment funds as soon as possible, because the state is simply not capable of managing so many enterprises.

[Grah] One of the consequences of the nationalization of enterprises that will occur in accordance with this law is the rather unusual and prominent role of the government. It directly designates the enterprises whose shares will not be transferred to the fund, but instead sold on the market....

[Umek] That would also have happened under the old law. Even then we foresaw that for the sake of financial rehabilitation of the Slovene economy, some enterprises would simply have to be sold, both in order to obtain money and in order for the first foreign investors to enter that way, and then bring others after them. There is a precisely defined list of the enterprises that will be sold in accordance with Slovenia's development policy. For the time being, there are only a few enterprises on that list—four or five.



[Grah] One of the shortcomings of the new law is undoubtedly the fact that it is not yet complete. The accompanying legislation that would determine the conditions for the establishment of funds and their means of operation is absent. Can we understand this as an indication that the government underestimated the difficulty of operations such as, for instance, the free distribution of citizens' shares?

[Umek] There are no particular substantive reasons for the legislation pertaining to the funds to be late. I set its simultaneous preparation as a condition when I took over the drafting of the law on privatization. I agree with you that we cannot do without those laws, and that is also indicated by all of the discussions. They are being prepared under the leadership of Vice President Dr. Andrej Ocvirk, and they were supposed to be in the Assembly at the same time as the law on privatization.

[Grah] Can you confide in us at least the fundamental concept of how the distribution of citizens' shares would proceed?

[Umek] We have not yet worked out the purely technical operational ideas of how it would proceed, although we have talked about that as well. Distribution is feasible, however. Abroad there are multinational companies that also have several million stockholders each, but they can handle those operations anyway. We have talked about simply transferring the experiences of those large companies. At this time, therefore, it would be very difficult to say anything about the technology for distribution to all citizens, but logistically it is not as tremendous a problem as it seems at first glance.

[Grah] Will the investment funds be shareholders for all Slovene enterprises, or will an individual fund only be a shareholder for some of them?

[Umek] In the discussions we considered whether to make balanced or unbalanced funds. The idea that prevailed was that the funds' portfolios should be unbalanced, which would mean in the final analysis that, for instance, a citizen of Slovenia would receive shares in all five funds. The citizens would thus have a completely balanced portfolio. Of course, in distributing the enterprises among the funds we will use all antimonopolistic principles to prevent one fund from controlling an entire sector of the economy. There are also other possibilities, to be sure, but our firm intention is to prevent monopolies.

[Grah] If I understand you correctly, then, those funds will be administratively completely independent?

[Umek] From the state, yes.

[Grah] But also from the shareholders. In fact, they will be tremendously dispersed....

[Umek] Why from the shareholders? Just as large systems hold elections in the West, our funds will do the same here. I do not see any particular difficulties there. It seems to me that a bigger danger is the appearance of

some foreign group of investors that would, with a 20 or 30 percent share, acquire a controlling share in the fund, and through it, control a considerable part of the Slovene economy.

[Grah] It is said that the value of a citizen's share should be about 2,000 German marks. The question is what its yield will be like; it probably will not be a big one in view of the situation of the economy, which, according to the general belief, is facing collapse. Consequently, the danger that the socially threatened stratum will sell its shares is that much greater, and through cheap sales, very large amounts of citizens' shares could quickly become concentrated in the hands of a few of the wealthier people....

[Umek] We protected ourselves against that by postponing trade in these securities, but we expect that the capital market will develop first of all through the additional capitalization of enterprises, and not through the citizens' shares. In fact, when the boards of directors are formed, the struggle for additional capitalization will begin. Enterprises will want to acquire fresh money by issuing new shares. In short, initial experiences with the capital market will be obtained even before distribution of the shares.

[Grah] You also mentioned additional capitalization before. I am surprised that the law does not even mention it as a method of privatization, even though it was the best part of Mencinger's law, in the opinion of some critics.

[Umek] According to this law, the first capital market will be created at the time of additional capitalization, but the previous law locked additional capitalization into an institutional mechanism. I do not see any sensible reason why additional capitalization should be included in the law, if it occurs the day after privatization. Now employees can decide on whether workers may purchase shares of the enterprise, and transfer the rest of the assets to a fund, and then reach an agreement with its board of directors on additional capitalization. It can be internal, or anything at all. From then on, however, it will be their business, the enterprise's business. Why should the legislator deal with it? In Mencinger's model, additional capitalization by the state is a specific method, but here we can truly speak of decentralized additional capitalization. Furthermore, why should employees provide additional capitalization precisely for their own enterprise? Why wouldn't they prefer to invest their savings in a neighboring enterprise if they have more confidence in it? In short, the methods are the same, and everything happens in a similar way, only not in the form of some sole redeeming method of privatization.

[Grah] Additional capitalization includes an important advantage for enterprises. The money stays with the enterprise instead of landing in the lap of the state....

[Umek] That should be clarified. There are citizens, farmers, employees, managers, former owners, and all



those categories have to be given fair consideration. In the second place, you also have to think about our overall inheritance. I am, literally, the heir to all our debts, the heir to the guarantees for foreign exchange deposits, the heir to public debts in the infrastructure, etc. Do you suggest that all the debts also be privatized? The state should be viewed as the one that produces public good, but at the same time it is burdened by the public debt created by the enterprises that are now being privatized. Should everything that is positive now be distributed to a narrow sector of employees, while transferring everything that is negative to the state?

[Grah] But at least the state knows how to take care of itself....

[Umek] That is what you think. The state is all of us.

[Grah] Then, in what do you see the shortcomings of Mencinger's law?

[Umek] Its weakness was the privatization of large enterprises, which was not resolved. In the end, during the phase of writing the proposal it was settled by adding an article stating that the problem would be settled by a separate law. The distribution of shares to the population was also supposed to be settled by a separate law, i.e., everything was postponed altogether. In the second place, it gave a great deal of power solely to one sector of the population, to employees at enterprises, and through them, to the management. In the third place, privatization took place in the long term, and was supposed to take 10 years. Furthermore, assessment represented some terribly large social action. Just think: In Slovenia there are about 2,600 socialized enterprises whose value would have to be assessed.

[Grah] One of the important criticisms that will be made of the new law is the issue of the criteria for recruiting members of the boards of directors. Doesn't it seem to you that it contains an inexhaustible source of temptations for the current political elite to try to use control over property to ensure the economic foundations of political power?

[Umek] How is that issue resolved by insider ownership in Mencinger's model? Walk through the alternatives. That is the eternal question. That question, however, is not necessarily associated with property. To be sure, I do not know to what extent it will actually be the case, but I expect that the funds, which will be headed by professionals, will be interested in having suitable people appointed to the boards. They will be responsible for their work to the shareholders, because there will be several funds and competitive relationships will be established among them. The dynamic dictated by capitalist logic, and not by the state, will be built into them. Perhaps the political element in the appointment system will actually prevail in the beginning, but for a very short time. Nevertheless, a seat on a board of directors does not provide property!

[Grah] It does not provide property, but it is a starting point for acquiring it!

[Umek] How?

[Grah] For instance, through pacts between managers and members of boards of directors....

[Umek] If an enterprise performs well and remuneration proceeds in accordance with the statutes, do you have anything against it?

[Grah] The consequence of these pacts will not necessarily be good performance by enterprises....

[Umek] Otherwise, the owner, the fund, will only oversee the decisions by the board of directors that much more carefully. That oversight role is very strong abroad. Such a pact—as you call it—means the loss of a reputation, and you have to be aware that Slovenia is a small economy. Furthermore, Slovenia will suddenly find itself economically exposed, and such enterprises will quickly acquire a bad reputation not only in Slovenia, but also in Europe. People still think that everything will take place in some closed Slovene kettle, where only we will look at who is where and who is what, and that on the outside they will be completely indifferent to this—and at the same time we are supposed to export half of our total production.

[Grah] The central goal of Mencinger's law was efficiency. What did you put first?

[Umek] The new law also strives for efficiency and administrative logic. For a small enterprise, it seeks it in the same way as Mencinger's, only more quickly and under somewhat different conditions, but for large enterprises, it sees trusteeship as only a transitional form which will last until this extensive part of the economy is delivered into private hands.

[Grah] It seems to me that fairness is an important part of this law. It seems to me that it was a very important motive in writing this law....

[Umek] The fundamental question that arises for you here is why someone who is employed in a school, for instance, could not likewise participate in privatization.

[Grah] Mencinger solved that through discounts for citizens....

[Umek] It is such a large part of the economy that it is not possible to solve it through discounts, especially not for large enterprises. The only solution for them is distribution. But you are right; in a way it is a political decision.

[Grah] Doesn't it seem to you that the new law establishes a conflicting attitude toward management?

[Umek] The law does not have a conflicting attitude toward management; on the contrary, it assigns it the place that belongs to it. It does have a conflicting attitude if management thinks that because it is management it

has special rights in privatization. This is not a conflict that would call into question management's role as management, but it is in conflict with its ambitions for acquiring property.

[Grah] Were Sachs and his group acquainted with the proposed law, with its final version, and does he agree with the law?

[Umek] Yes, they were acquainted with it and they agree with it. At a certain international conference in Helsinki at which our law was presented, it was assessed as one of the best and most consistent privatization laws in Eastern Europe.

[Grah] And whom can we consider the father of this law? Is it you, Sachs, Lipton, Peterle...?

[Umek] Sachs brought us the idea of distribution as something that should also be adopted in Slovenia. The fundamental economic starting point, the rough establishment of the institutions, and the proof of the economic efficiency of this concept were the work of Sachs's group. Then we prepared the law within the framework of a working group, with the collaboration of some foreign lawyers and with constant consultations with experts from Sachs's group.

[Grah] But you will present it to parliament?

[Umek] Dr. Ocvirk and I.

[Grah] The ruling coalition is internally divided over the law on privatization. The SDZ [Slovene Democratic Alliance] has already announced that it will continue to

support Mencinger's law, which has already been accepted, in the Assembly....

[Umek] As far as that is concerned, it has every right to its own opinion. The government will present its reasons during the Assembly proceedings. I regret that the members of that party were not present during the government proceedings, when the law was discussed by committees and by the government, so that they could have had all the opportunities to say what they thought. At the government meeting, Mr. Rupel said that the law was so difficult that he had not been able to read all the way through it, that it would be good if it could be postponed a little more, etc. In short, during the government proceedings we did not receive any criticisms of a substantive nature from the ministries headed by SDZ members.

[Grah] After reading the three key laws for property legislation—the laws on privatization, denationalization, and cooperatives—my conclusion is that the government yielded too much to individual lobbies....

[Umek] I do not have enough experience with Western democracies to be able to say to what extent political parties are involved in the government's work there. That is why it would be difficult for me to say what is normal and what is not. Nevertheless, if we, for instance, imagine the parliament to be a group of people who will carefully read through every law and in the end decide according to their conscience, without any interests in the background, then we have cherished an illusion that does not exist in a democracy. Lobbies are everywhere, and that, of course, is the reality of parliamentary democracies.

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